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Time For A Change

Remaking the Nation's Welfare System

Report of the Welfare Simplification and Coordination Advisory Committee

June 1993

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Department of
Agriculture

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"One central conclusion emerges from our work to date: The welter of programs that are collected under the rubric of the 'welfare system' must be scrapped. Major structural reform of our income assistance programs for the poor is necessary if we are to encourage work wherever possible, provide basic income protection for those who are unable to provide for themselves, provide incentives for keeping the family together, and simplify and make more efficient the basic administrative structure."

— Joseph Califano
Former Secretary of Health,
Education and Welfare, 1977

Executive Summary

HELP!

Delivery of services to the needy of this Nation has reached a crisis stage. Unless dramatic steps are taken immediately to end the administrative quagmire in local human service offices the entire system stands in danger of collapse.

The conglomeration of separate programs that supposedly comprise our "welfare system" do not form a system at all. Instead, each operates in its own separate orbit, assisting a specific population, without regard to the multiple needs of the families it serves.

Just as "tinkering" with health care programs is insufficient to resolve the Nation's health care crisis, according to First Lady Hilary Rodham Clinton, so is tinkering with welfare programs.

The current programs should be scrapped, in lieu of one comprehensive program with the goal of moving participants toward self-sufficiency.

Now Is the Time for Change!

These are the findings and recommendations of the Welfare Simplification and Coordination Advisory Committee—authorized by Congress in 1990 to examine four major assistance programs—food stamps, Aid to Families with Dependent Children (AFDC), Medicaid, and housing assistance programs.

The Committee was mandated to identify barriers to participation in one or more assistance programs and the reasons for those barriers. It also examined reasons why it is difficult for administrators to provide timely benefits efficiently to all qualified to receive them. The Committee's work culminates in this report to Congress and the cognizant Federal agencies. It recommends actions that could improve the delivery of services among the programs and simplify their rules and procedures.

The bi-partisan Committee met four times during 1992 and 1993, examining the interactions of the current assistance programs from the perspective of program administrators as well as the needy. Members heard from public witnesses, including public assistance recipients, and read statements from many more, attesting to the lack of coordination and simplicity.

The Committee shares the view of many previous workgroups that the Nation's current public assistance system desperately needs to be overhauled. Most of the existing programs do a good job of fulfilling their own missions. However, when viewed together, the "system" is an antiquated and costly conglomeration of programs with separate goals, inconsistent policies, and rules that are so complex that neither clients nor their caseworkers should be expected to understand them. The Committee concurs with the panel of experts working on the Ford Foundation Project on Social Welfare and the American Future that "the best welfare policy offers individuals both an economic opportunity and social protection in a way that minimizes the waste of taxpayers' resources."[1]

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1 Project on Social Welfare and the American Future, *The Common Good: Social Welfare and the American Future, Policy Recommendations,* (New York: The Ford Foundation, May 1989), p. 4.

Although the recommendations put forth by this Committee follow a long list of similar ones advocated by equally earnest groups, the Committee believes that there is cause for optimism now.

This report, the only one prepared in response to congressional concern, will be presented in the first year of a new Presidential administration. "Ending welfare as we know it," is a prime goal espoused by President Clinton. The recommendations herein comport with that goal.

We submit this report to a Congress with an unprecedented number of freshmen Members. We believe these new Members were elected by people who are fed up with the status quo—who recognize that the current system of aid evolved not by design, but through crisis.

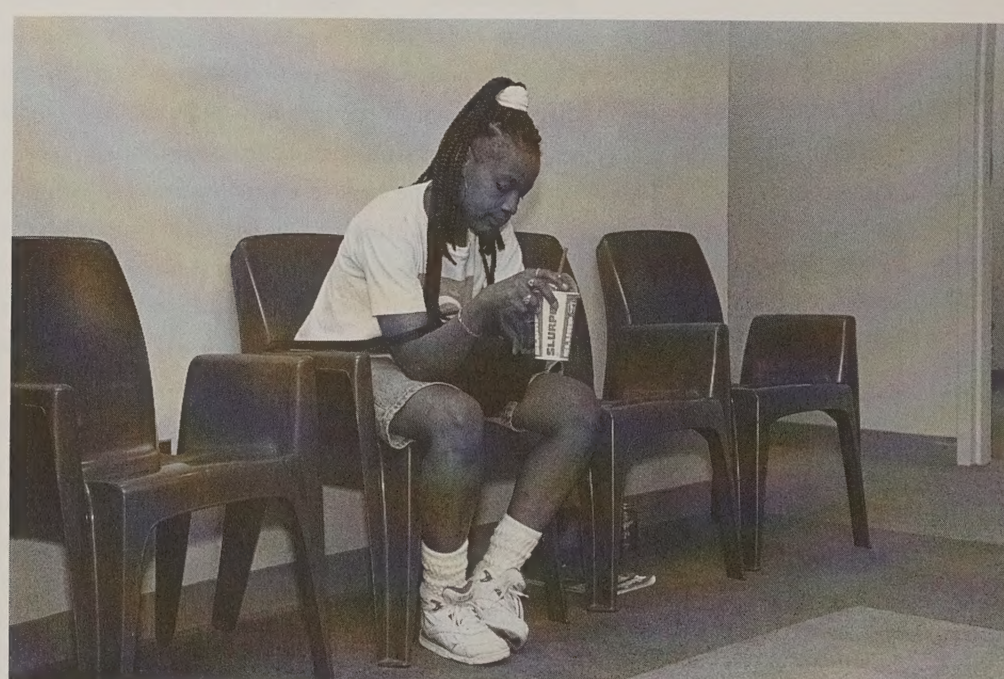
The release of this report also comes at a time when Members are looking to make Congress more efficient by streamlining its structure. The temporary Joint Committee on Organization, which is chaired by Senator David Boren and co-chaired by Congressman Lee Hamilton, is reviewing the committee and subcommittee structure with the goal of consolidating oversight responsibility and eliminating overlap. We will try to impress upon this joint committee the urgency of addressing the fragmented jurisdiction over assistance programs.

During this time of extreme fiscal distress, both the Federal Government and the States are showing an unprecedented willingness to do things differently. The number of States applying for welfare reform waivers in recent years is evidence of the dissatisfaction with the current system, and the receptivity to change.

The time for change is long overdue, and the time for change is clearly NOW!

Barriers

Members read material on the subject of coordination compiled from work completed over the past 2 decades. A myriad of working groups, task forces, and committees have attempted to tackle the problem of welfare complexity, but with little success. That problems exist is well documented. It was not difficult for the



"In the nearly fifty years of its existence, welfare has changed to the point that no one likes this system and a lot of people act as though they don't like those who receive welfare. Change is long overdue!"

—Kay Barker
Gaston County, NC
Testimony before the
Welfare Simplification and
Coordination Advisory Committee
January 8, 1993

Committee to meet its first mandated objective: compiling a list of barriers to effective client service and to participation.

Both **"systems barriers"** pertaining to administration of the programs, and **"client service barriers"** at the delivery level, are identified in chapter VII of this report.

The **systems barriers** stem from the different laws that created each program and the administrative structures that evolved from those laws. The different mission of each program results in differing policies and procedures that hamper coordinated services. While some barriers to efficient operation are as broad in scope as lack of coordinated oversight by the Congress and the Executive Branch, others, such as insufficient use of automation, are more specific.

Client services barriers affect applicants and recipients directly, inhibiting access to program benefits. While lengthy forms and complex rules are the most commonly perceived obstacles to program participation, more subtle barriers, such as the stigma attached to participation, also deter applications. Many people, especially the elderly, view receipt of almost any form of assistance as humiliating. Only 59 percent of persons eligible for food stamps actually received them in 1989.

Previous Efforts

With such obvious and well-documented problems, one might wonder why the barriers were not eliminated years ago. Solutions are not simple and consensus is not easily reached. Chapter IV describes previous attempts at reform and why most have failed.

The **cost of program change** is paramount among the obstacles to reform. Any change in eligibility requirements or benefit levels affects program costs. Given the amount of funds disbursed by the programs, the fiscal magnitude of program changes can be tremendous. For example, raising the AFDC asset limit from the current $1,000 to the $2,000 limit of the Food Stamp Program would allow more people to receive AFDC. Such a change would have increased AFDC costs by $135 million in fiscal year 1992. In addition, since the new AFDC recipients would be categorically eligible for Medicaid, costs for that program would increase dramatically.

Other reasons for inertia in achieving program conformance include tension between State and Federal responsibilities, congressional and Executive Branch inattention to the administrative aspect of coordination, and competing constituencies. An example of an unsuccessful attempt at simplification is President Nixon's proposed Family Assistance Plan of the early 1970's. The plan would have created a national cash welfare system with uniform eligibility and minimum benefit levels that States could supplement. The benefit levels under the proposal would have exceeded the AFDC grants in some States and been lower than the grants in others. The changes were opposed by client advocates from States with high AFDC grants who did not want to see people get less aid, as well as those from States with low grants, who did not want to see more people added to the public assistance rolls. The proposal failed.

"We want people to get work...we want them not to lose anything by getting the work..."

— Senator Daniel Patrick Moynihan
Congressional Record
June 16, 1988

Guiding Principles

Principles were developed to guide the Committee's deliberations. They were adhered to when recommendations for change were formulated. The shared philosophy of treating persons with respect was an overriding influence. The 10 principles are:

1. *Treat Persons with Dignity and Respect*
2. *Strengthen Families*
3. *Direct Programs to Address the Entire Spectrum of a Family's Needs, Not Just the Discrete Needs of Individuals*
4. *Promote Individual Responsibility*
5. *Empower Persons to Move Off Assistance and Toward Independence*
6. *Make Work More Rewarding Than Assistance*
7. *Allow Flexibility In Programs to Accommodate State, Local, and Individual Differences*
8. *Focus Success Measures On Persons, Not On Processes*
9. *Use Public Funds Efficiently*
10. *Build Partnerships with the Private Sector*

Recommendations

In considering the actions it would recommend to the Congress and the Executive Branch, the Committee discussed a wide range of options. The Committee chose not to ignore issues peripheral to simplification and coordination of the four programs. Broad issues including adequacy of benefits, work incentives, and the dynamics of program interactions were studied as were detailed technical proposals to coordinate policies and procedures.

In considering just how specific it wanted to be, the Committee deliberated over an impressive document recently produced by the American Public Welfare Association (APWA) in conjunction with the Food and Nutrition Service of the Department of Agriculture (USDA) and the Administration for Children and Families of the Department of Health and Human Services (HHS). The document, compiled over the past year and a half by program administrators, identifies 57 differences between the Food Stamp and AFDC Programs.

Some of the differences are rooted in statute and only congressional action can eliminate them. Others are disparities in regulations and can be addressed by the Federal agencies. The Advisory Committee recommends that the Clinton Administration immediately review the disparities that are rooted in regulation, not statute, and provide a timely and full response to the Task Force recommendations. This Committee further recommends that the appropriate congressional committees analyze the program differences based in statute, and that the House and Senate subcommittees with jurisdiction over the programs hold joint hearings to develop a legislative reform package to conform the two programs.

The Committee was also impressed by the work of the National Commission for Employment Policy (NCEP) in its October 1991 Special Report entitled *Coordinating Federal Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials.* The recommendations in this report parallel many of NCEP's recommendations.

The Committee heartily recommends that the White House Domestic Policy Council and Congress review the recommendations contained in the NCEP report for implementation in conjunction with APWA's recommendations and those put forth by this Committee.

Primary Recommendation

The primary recommendation of the Committee is to **replace the numerous programs that currently serve the needy with one, family-focused, client-oriented, comprehensive program.** The three **key criteria** for the program would be 1) simplicity of design; 2) service tailored to need—three broad, time-based categories of assistance (short-term, extended, and long-term) with a single case manager for each family; and 3) benefits contingent upon progress toward self-sufficiency.

This program would provide a consistent, coordinated, and simplified approach to meeting the interrelated needs of low-income individuals and families while they are working toward self-sufficiency. Service would be tailored to the client through the use of a self-sufficiency plan designed to match the needs of each family member, and the family as a whole, to appropriate services. Although actual service delivery may be provided by separate State and local agencies and private sector organizations, the program would be administered by one agency at the State level. Administration at the Federal level would also be centralized in one agency and legislation would evolve from a single committee in each Chamber of Congress.

Given the complexity of the task, this Committee did not have sufficient time or resources to design the comprehensive program it envisions. This must fall to Congress and the Federal agencies, or a special task force given this single charge. However, the Committee feels strongly that the design concepts must reflect the principles laid out in this report. Integral elements of the program include:

- a single point of entry with one application form;
- common definitions and rules on income, deductions, resources, and nonfinancial eligibility criteria;
- a single eligibility standard (means test) for determining eligibility; and
- partnerships between public and private sector programs to provide coordinated services.

A comprehensive program addressing the multitude of human needs would be simpler to administer than the jumble of programs that currently exist. Common definitions, eligibility requirements, and benefit payments add to the desirability of a comprehensive program. Eliminating duplicative bureaucracies will reduce administrative costs, saving money that can be used, instead, for client services.

If Congress and the Executive Branch seriously wish to bring simplicity and coordination to the public assistance network, the Committee believes this recommendation is inescapable.

"It's time to honor and reward people who work hard and play by the rules. That means ending welfare as we know it — not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives. No one who works full-time and has children at home should be poor anymore."

— Governor Bill Clinton and Senator Al Gore
Putting People First: How We Can All Change America, 1992

Interim Recommendations

The Committee recognizes that its recommendation for one comprehensive program will not come about overnight. In the interim, other steps can and should be taken to improve the current state of public assistance and provide immediate relief to program administrators and the needy.

Therefore, the Committee recommends that Congress review the interim recommendations below and take immediate action to implement those recommendations requiring legislative action. Once legislative action has been completed and for those recommendations that do not require legislative action, the Committee recommends that the President direct the White House Domestic Policy Council to take the lead in coordinating implementation among the Federal and agencies.

The interim recommendations are categorized as either "Systems" or "Client Services."

Systems recommendations are:

1. Form a work group of the chairs of the relevant congressional committees to ensure that all legislative and oversight activities involving public assistance programs are coordinated.
2. Ensure that all low-income Americans have access to quality health care.
3. Establish uniform rules and definitions to be used by all needs-based programs in making their eligibility determinations, including:
   a. common definitions of countable income, allowable deductions, resources, and household composition;
   b. conversion of food stamp benefits to a flat allowance for AFDC families; and
   c. establishment of a standard shelter and medical deduction under the Food Stamp Program for non-AFDC households.
4. Expand the demonstration project authority for all programs to allow for the waiver of both statute and regulation. Cost neutrality should not be an overriding criterion for Federal approval of demonstrations or welfare reform initiatives.
5. Allow States to make effective demonstration projects permanent and/or adopt successful systems tested in other States.
6. Modify audit and evaluation procedures to focus primarily on the success of individuals and families in reaching self-sufficiency as the standard for accountability to determine the success of the programs.
7. Establish a uniform implementation timeframe for all regulatory changes and a common date for implementing these changes, including cost-of-living adjustments. Coordination with non-needs-based programs, such as Social Security Administration Programs and Veterans benefits, should be stressed.
8. Encourage States to form public/private partnerships to meet client needs.
9. Combine employment and training programs for the economically disadvantaged into one program.

Client Services recommendations are:

1. Streamline the verification process.
2. Use a single case manager for all public assistance programs and services.
3. Permit the sharing of client information among agencies.
4. Make information on eligibility available in more public places, e.g., libraries and post offices.
5. Develop tables to be used by clients to determine how benefits may be impacted as a result of anticipated changes in household circumstances, such as changes in income and household size.

The Committee's recommendations are discussed in detail in chapter VIII of the report.

The time to act is now. If these issues are once again ignored because of their cost or complexity, we can look forward to years of legislative gridlock, high turnover rates among disgruntled assistance workers and worst of all, lost potential of many, many Americans. ■

"We must understand when a family unit is in need of help, their need often crosses program lines. Need for income assistance often means need for food, for housing help, and for some help in finding and keeping a job."

— Representative
Bill Emerson, MO
Hearing before the
Select Committee on Hunger
U.S. House of Representatives
April 23, 1991

Chapter I

Introduction

By authorizing the Welfare Simplification and Coordination Advisory Committee through Public Law 101-624, Congress, for the first time, actively sought to address the need to reform the way the Nation's human services programs work together as a system. It was an outgrowth of longstanding dissatisfaction with the complexity of the tangle of programs designed to help the poor. Although there have been many attempts to make these programs more efficient and effective, the Committee's creation marks a new milestone in the effort. Creation of the Advisory Committee is a strong indication that Congress viewed the fragmentation of human investment programs as "one of the major unmet challenges to domestic policy in America...."[1]

The Committee is charged with examining the policies and procedures of the Food Stamp, AFDC, medical assistance, and housing assistance programs. It must identify barriers to multiple program participation, and elements of the system that make it difficult for administrators to provide timely benefits in an efficient manner to all those qualified to receive them.

Since passage of the Social Security Act in 1935, a multitude of programs to help the economically disadvantaged have been enacted. Authorized by different congressional committees at different times, the programs deal with the interconnected **symptoms** of poverty. Each program was born of good intentions. They are all evidence of the Government's aggressive response to pressing societal needs. As each need was addressed, however, no single body was taking a deliberative look at how the individual programs would meld together. That the programs would actually function as a system was never a motivating factor in their creation. This is the genesis of the complexity and coordination problems we are dealing with today.

The governmental processes that created the assistance programs remain intact. No mechanism is in place to prevent conflicting program policies from being enacted in the future, nor to remedy the ones that already exist. In fact, just the opposite is true. Achieving real compatibility among the programs will require major structural reforms in the way welfare laws are promulgated. This has far-reaching consequences for the poor, who are hesitant even to apply for programs benefits because of the complexity involved. It has similar consequences for State agencies, which are struggling to deliver services efficiently and to attract, train, and retain caseworkers.

Services and benefits for families are divided into rigid and distinct categories that fail to reflect their interrelated causes and solutions. The fragmentation of social services at the Federal level is mirrored at the State and local levels. Caseworkers share "pieces" of the same family, with no institutional capability to address the interrelated family needs. Consequently, services designed to correspond to discrete problems are administered by "dozens of agencies, each with its own particular focus, source of funding, guidelines, and accountability requirements."[2] These fragmented systems result in costly and duplicative administration and less effective services.

Social service delivery is close to unmanageable today. Program administrators have to navigate through the muddy waters of program requirements handed to them from agencies which speak different "languages." Even a seemingly simple determination such as, "What is income?" is greeted with different responses from different programs. Placing even more pressure on caseworkers, the complexities of the individual programs and their differences contribute to high quality control error rates.

From the viewpoint of the person who needs assistance, the system can

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1. Marion Pines, *Investing in Self-Sufficiency for Poor Families: Putting It All Together,* (New York, NY: Ford Foundation, 1991), p. 93.
2. Atelia I Melaville with Martin J. Blank, *What It Takes: Structuring Partnerships to Connect Children and Families with Comprehensive Services,* (Washington, DC: Education and Human Services Consortium, January 1991), p. 7.

"You go into [the welfare office and] you're surrendering sovereignty. You're surrendering control of your life and making yourself dependent."

— Public assistance recipient
Final Report of Findings of Focus Group Research Conducted on Behalf of the National Association of Neighborhoods, Prism Corp., Washington, DC, Fall 1986

be a nightmare. Most communities have no central location for people to find out what programs are available and those for which they might be eligible. Applicants face lengthy, complicated forms and different types of verification for each program. Comprehensive, holistic services tailored to individual or family needs are not generally available. Eligibility workers do their best just to determine program eligibility for the sheer volume of faces that appear at their doors day in and day out.

This Committee has examined the problems faced when a family needs service from more than one program. It has identified barriers to efficient operations and to participation by all those eligible. It has examined previous attempts by the Federal Government to create a cohesive and accessible system and explored why these efforts were unsuccessful.

The Committee is recommending ways to simplify the system and coordinate the major social service programs. It believes that coordination problems can be addressed in a way that will enhance service delivery while maintaining a reasonable degree of program accountability.

The findings of the Committee, as well as its recommendations, illustrate why it's time for a change. ■

Chapter II

Committee History and Activities

Committee Selection

When Congress established the Welfare Simplification and Coordination Advisory Committee, it mandated that the Secretary of Agriculture appoint members with different perspectives on public assistance, including State and local administrators and client advocates.

The members of the Committee brought together a broad base of expertise in the field of public assistance. Membership was diverse, representing large and small States, rural and urban areas, and various backgrounds.

Sammie Lynn Puett, a former Commissioner of the Tennessee Department of Human Services, chaired the 11-member Committee. Members included a Colorado State Senator, a county legislator from Westchester County, New York, public assistance program administrators from Delaware and North Carolina, a county administrator from Los Angeles County, a scholar in health policy from the American Enterprise Institute, an eligibility worker from New Mexico, the Chief Executive Officer of the Dallas Housing Authority, and client advocates from Kansas and California.

Biographies of the Committee members can be found at appendix A.

Committee Activities

All four of the Committee's meetings were open to the public, and comments from the public were welcomed. At each meeting, public comment was provided by recipients, advocacy groups, administrators and caseworkers.

The first meeting of the Committee was in Arlington, Virginia, on April 30 and May 1, 1992. Subsequent meetings were held in Seattle, Washington, August 20, 21, and 22, 1992; Charlotte, North Carolina, January 7, 8, and 9, 1993; and Wilmington, Delaware, March 11 and 12, 1993.

In Arlington, the Committee discussed the direction it would take in fulfilling its mission. Sites for the future meetings were selected based upon innovative programs and demonstration projects and geographic diversity.

Committee members also received comments on the Federal perspective on coordination and simplification from representatives of USDA's Food and Nutrition Service, HHS' Administration for Children and Families and Health Care Financing Administration, and the Department of Housing and Urban Development's (HUD), Office of Public and Indian Housing. Missouri Congressman Bill Emerson, sponsor of the authorizing legislation and ranking minority member of the House Agriculture Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, addressed the Committee.

In Seattle, the Committee formulated an initial set of basic principles to guide its work and identified barriers to program administration and receipt of benefits. There, the Committee visited with participants and program administrators from the Washington State Family Independence Program, an innovative demonstration that utilizes a case-management approach to give special attention to the needs of individuals. One caseworker is responsible for the overall needs of the family unit. In addition, food assistance is provided in the form of cash rather than food stamps. Education and training activities are emphasized and the program offers incentives for participation by providing for child care reimbursements to help families move off public assistance and become self-sufficient.

Shirley Ramsey, president of the Community Caring Council in Cape Girardeau, Missouri, spoke to the Committee on the Council's work. The Council is a nonprofit corporation that promotes coordination and cooperation between social service providers, churches, the business community, and the educational system to empower families and individuals to become more self-sufficient. The Council was founded 4 years ago by Mary Katsen, a

"Self-sufficiency translates into a good job and stable home life for adults and a nurturing family and school life for children."

— *One Child in Four — Investing in Poor Families and Their Children: A Matter of Commitment*
The American Public Welfare Association and The National Council of State Human Service Administrators, 1986

State Representative, in response to the frustrations expressed to her by constituents in trying to decipher the maze of social services.

In Charlotte, the Committee focused on the recommendations to be made in its final report to Congress and heard comments from administrators of innovative simplification projects in the State.

The Committee visited several transitional housing sites that offer lower income families opportunities for home ownership through the use of escrow accounts. Sponsored by the Charlotte Housing Authority, the innovative programs encourage families to make the transition from public assistance to self-sufficiency.

The fourth and final meeting was held in Wilmington, Delaware, on March 11 and 12, 1993. The Committee visited the State's innovative one-stop service delivery system—a client-centered, results-oriented network of programs that supports personal and family self-sufficiency.

Delaware has been a recent innovator in the development of one-stop services through a system of single entry, multiservice facilities that house human service programs, as well as selected private sector programs in local community locations. Two key goals guide the one-stop services system: 1) services are provided with an emphasis on working with individuals and their families to maximize independence; and 2) the system itself must be self-correcting—constantly working to retool to keep pace with changing client needs and a changing service delivery environment.

Congressman Mike Castle spoke to the Committee on the urgent need for simplification and coordination in the current public assistance system, and Delaware Governor Thomas Carper discussed welfare reform and the innovative initiatives that are currently underway in the State. The Committee also heard from Congressman Bill Emerson.

Problems with the assistance programs that extend beyond coordination were raised in every city the Committee visited. Public commenters described the unintended consequences of program rules that discourage entry into employment and promote continued dependence. It was made clear to Committee members that there is intense interest in improving the current system and that the time for change is NOW. ■

Chapter III

The Programs: Administration and Interaction

At least 75 Federal programs provide assistance to the economically disadvantaged in the form of cash, medical care, food, housing and energy assistance, education and training activities, and other services.[1]

Congress directed the Advisory Committee to focus on the policies of four of these programs—the Food Stamp Program, AFDC, Medicaid, and housing assistance programs—to determine the difficulties faced by individuals when applying for and obtaining benefits.

This chapter provides a brief overview of the four programs, discusses administrative costs and looks at multiple program participation.

Appendix B contains a detailed description of the four programs, including their policies, population characteristics, and participation and expenditure patterns.

The Programs

AFDC Program

The AFDC Program began in 1935 under Title IV of the Social Security Act as a way to assist orphans and widows with small children. Today, operating under broad guidelines from the HHS' Administration for Children and Families (ACF), the program provides cash assistance to families with dependent children. It also offers employment and training activities to help parents in these families become self-sufficient.

During the first 25 years of the AFDC Program, families suffering deprivation due to unemployment were ineligible for benefits. In 1961 Congress allowed States to provide AFDC to the children of unemployed fathers who were still living at home through the Unemployed Parent Program (AFDC-UP). The Family Support Act of 1988 took this a step further, requiring all States to operate an AFDC-UP program as of October 1, 1990. Although this change makes the program more accessible to needy two-parent families, one-parent families will continue to receive the most benefits.

To receive AFDC benefits, a family must pass certain tests based on family structure, income and resources, and willingness to fulfill work requirements. **Exhibit 10** illustrates AFDC income and resource requirements in more detail.

The AFDC Program is funded jointly by the Federal and State Governments through a matching formula that varies according to the State's per capita income. In fiscal year 1992, program expenditures reached almost $22 billion, an increase of more than 70 percent from 1982. **Exhibit 1** provides information on AFDC program expenditures for fiscal years 1983 through 1992.

Each State determines its own need standard and grant payment levels. The need standard is the amount of money a State deems necessary to meet a minimal standard of living in that State for a family of a specified size. Many States pay less than the full standard of need.

Since no Federally prescribed minimum benefit exists for the program, AFDC benefit levels vary from State to State. For example, an assistance unit composed of one adult and two dependent children with no income would receive an AFDC grant of $120 in Mississippi, whereas the same assistance unit would receive $658 in Vermont.[2] **Exhibit 2** illustrates the range of AFDC assistance payments for a family of one adult and two children for fiscal year 1993.

1 National Commission on Employment Policy, Coordinating Federal Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials, (Washington, DC: National Commission for Employment Policy, 1991), p. 3.

2 U.S. Department of Health and Human Resources, Administration for Children and Families, Office of Family Assistance, Characteristics of State Plans for the AFDC Program, 1990-91 Edition, (Washington, DC: Government Printing Office, 1991), pp. 29, 322.

EXHIBIT 1
AFDC PROGRAM
FEDERAL AND STATE MAINTENANCE ASSISTANCE EXPENDITURES

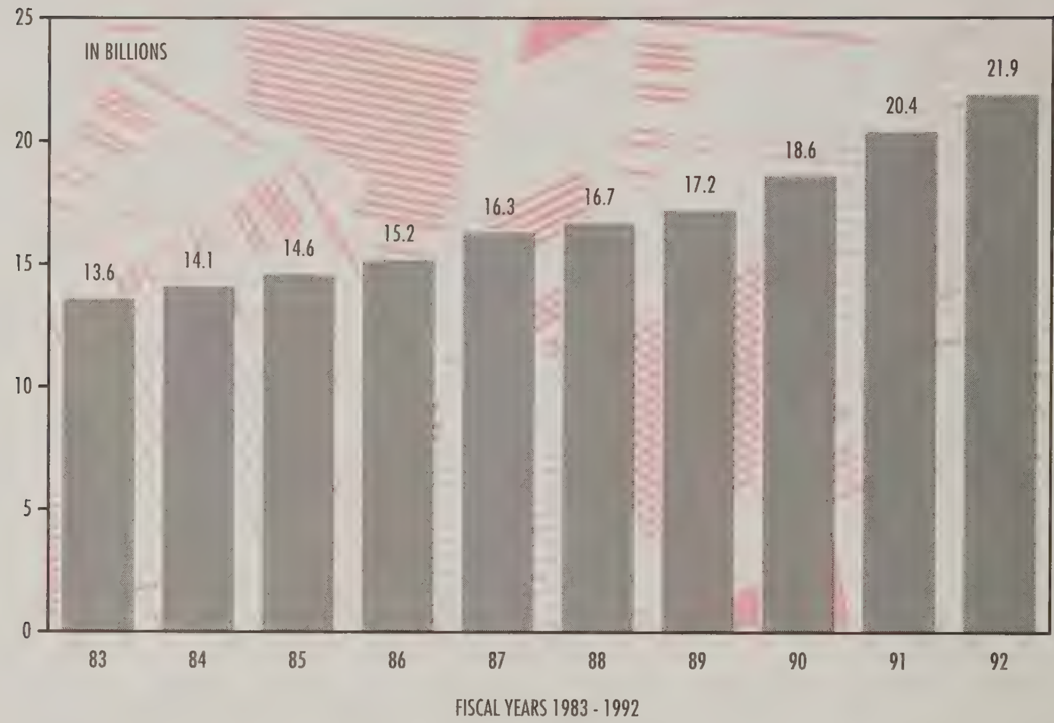


EXHIBIT 2
RANGE OF AFDC MONTHLY PAYMENT AMOUNTS FOR SELECTED STATES
ONE ADULT AND TWO CHILDREN
FISCAL YEAR 1993

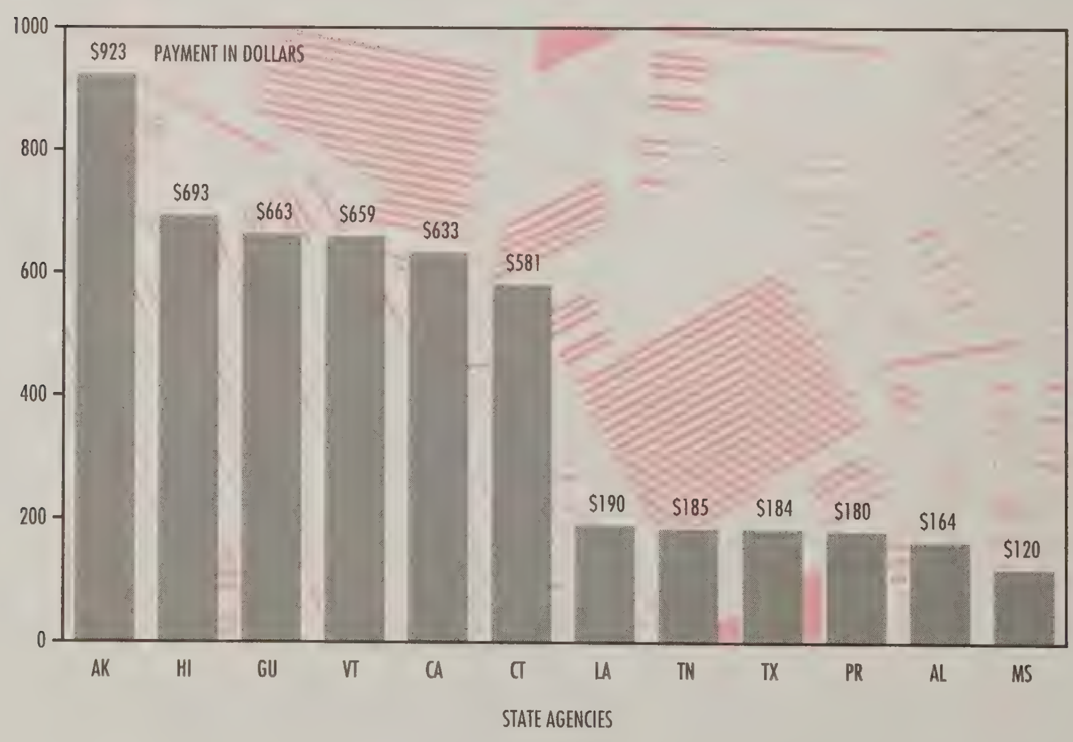
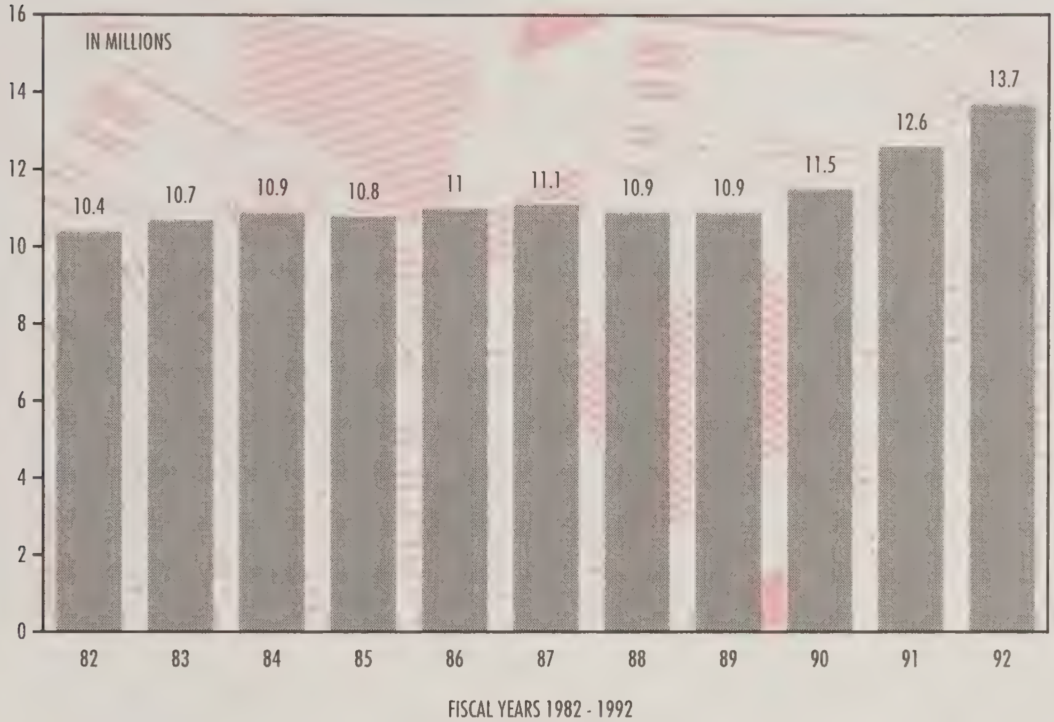


EXHIBIT 3
AFDC PROGRAM
TOTAL RECIPIENT PARTICIPATION



What are your frustrations with the welfare system?

"So much paper work and so little staff to do it. High caseworker turnover, never the same caseworker two times in a row. There is also an unreasonable demand placed on the caseworker due to the high numbers in the caseload."

— A Public Assistance Recipient
Kansas City, KS in response to
a survey about welfare

In fiscal year 1992, more than 13.6 million people participated in the AFDC program—almost 25 percent more than in 1989. **Exhibit 3** depicts AFDC participation patterns for fiscal years 1982 through 1992.

Appendix B describes in detail eligibility requirements, population characteristics, expenditure and participation trends and work requirements for the AFDC Program.

Food Stamp Program

When the Food Stamp Program replaced the Commodity Distribution Program during the 1960's, its emphasis was as much to utilize the Government's surplus food as to raise the nutritional level of low-income households. The program exists as it does today to ensure that Americans have the means to purchase nutritionally sound diets.

The program is administered by the Food and Nutrition Service (FNS) of USDA. FNS gives direction to State agencies through regulations that define eligibility requirements, benefit levels, and administrative rules.

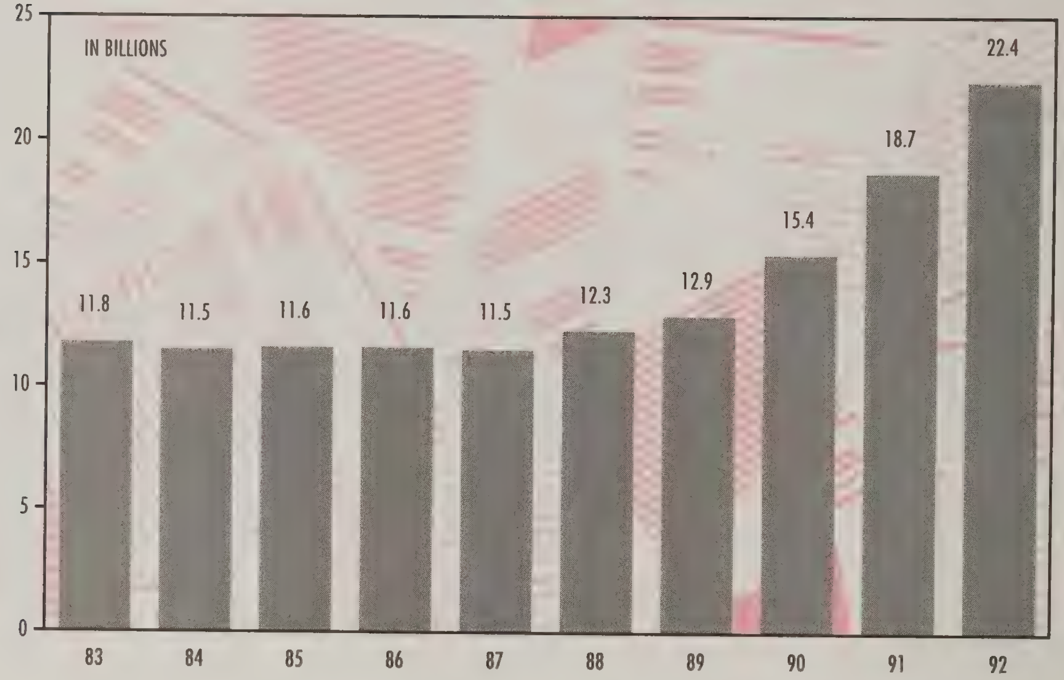
Clients receive coupons which are redeemed in authorized stores for eligible food items. Coupon allotments vary according to the size of the household and income level, but eligibility and benefit rules are the same nationwide. While the average household benefit in 1991 was $162, approximately 5 percent of households collected $10 or less while 11 percent received more than $300.[3]

The program has financial, work-related, and categorical tests for eligibility. **Exhibit 10** contains more details on the program's eligibility requirements.

The Federal Government provides full funding for food stamp benefits and the cost of administering the program is shared equally between the States and the Federal Government. Since 1982, Federal expenditures for the Food Stamp Program have

3. Nancy Heiser and Suzanne Smolkin, Characteristics of Food Stamp Households, Summer 1991, (Washington, DC: Mathematica Policy Research, Inc., 1992).

EXHIBIT 4
FOOD STAMP PROGRAM
TOTAL FEDERAL EXPENDITURES*



FISCAL YEARS 1983 - 1992

*EXCLUDES NATIONAL LEVEL ANNUAL COSTS FOR PRINTING COUPONS, STUDIES, AND SURVEY COSTS.

EXHIBIT 5
FOOD STAMP PROGRAM
PROGRAM PARTICIPATION

FISCAL YEARS 1982- 1992

"We are dying out there. Our workers are being crushed by caseloads, delivery is slipping, timeliness is going by the waysides. I've added 40,000 people to the Medicaid rolls just in the last year in my state, because of the mandates, and without new workers, because of the recession, we are in real trouble out there."

— Gary Stangler, Director
Missouri Department of
Social Services, Hearing before the
Select Committee on Hunger
U.S. House of Representatives
April 23, 1991

increased by more than 100 percent—from $10.2 billion in 1982 to over $22 billion in 1992. **Exhibit 4** illustrates annual Federal expenditures for the program, beginning with fiscal year 1982.

Since 1989, participation in the program has grown by an average of 2.2 million individuals annually and in fiscal year 1992 USDA distributed benefits to more than 25 million individuals. **Exhibit 5** displays Food Stamp Program participation patterns since fiscal year 1982.

Appendix B describes in detail eligibility requirements, population characteristics, expenditure and participation trends and work requirements for the Food Stamp Program.

Medicaid Program

Medicaid is the Nation's key provider of medical assistance and long-term care for low-income families, low-income elderly, and the disabled.

The program was enacted as a companion to Medicare in 1965 and was designed to pay for health care for recipients of AFDC and certain other needy people. Establishment of the Medicaid program was an enormous leap forward in financing and providing health care to the poor.

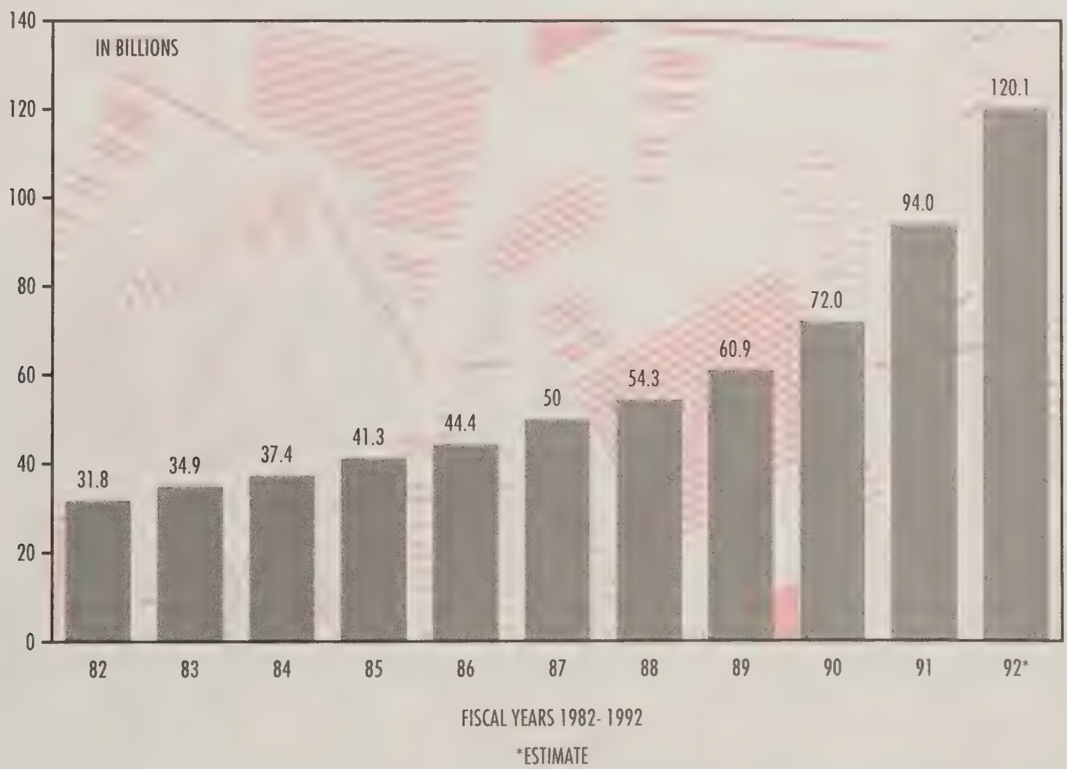
Today, the program's goals are to ensure that eligible individuals receive adequate care and to reduce the financial burden of medical care for those with limited resources.

Federal oversight of the Medicaid program is the responsibility of the Health Care Financing Administration of HHS.

Medicaid essentially serves four populations: low-income families that lack health insurance, elderly people who need help with medical care, disabled elderly individuals who need long-term care, and nonelderly disabled individuals who need critical and long-term care. Benefits and coverage are different in each State. **Exhibit 10** contains a more detailed description of Medicaid eligibility criteria.

Since 1982 Medicaid expenditures have grown nearly four-fold to total an estimated $120 billion in 1992. **Exhibit 6** provides annual Medicaid expenditure information beginning in fiscal year 1982.

EXHIBIT 6
MEDICAID PROGRAM
TOTAL PROGRAM EXPENDITURES



What are your frustrations with the welfare system?

"When a client receives a raise in food stamps, the welfare check is reduced. When a client finds employment their food stamps, housing, etc. are cut. Never a chance to get ahead just a little."

— A Public Assistance Recipient Kansas City, KS in response to a survey about welfare

Participation in the Medicaid Program has grown by over 40 percent since 1982 to reach 30 million recipients in fiscal year 1992. **Exhibit 7** illustrates Medicaid participation levels for fiscal years 1982 through 1992.

Appendix B describes in detail eligibility requirements, population characteristics, and expenditure and participation trends for the Medicaid Program.

Federal Housing Assistance Programs

The two major forms of Federal housing assistance are the Public Housing Program and the Section 8 Program.

Similar to other assistance programs, public housing and Section 8 housing assistance are available only to people with low income. However, unlike other assistance programs, housing is not available to everyone who needs it and is qualified to receive it. Generally, housing authorities maintain waiting lists of eligible applicants and in some of the larger urban areas, the waits can be 4 to 6 years long. **Exhibit 10** contains a more detailed description of eligibility criteria for housing assistance programs.

More than 5 million families participated in housing assistance programs during fiscal year 1992. **Exhibit 8** provides participation information for housing assistance programs for fiscal years 1982 through 1992.

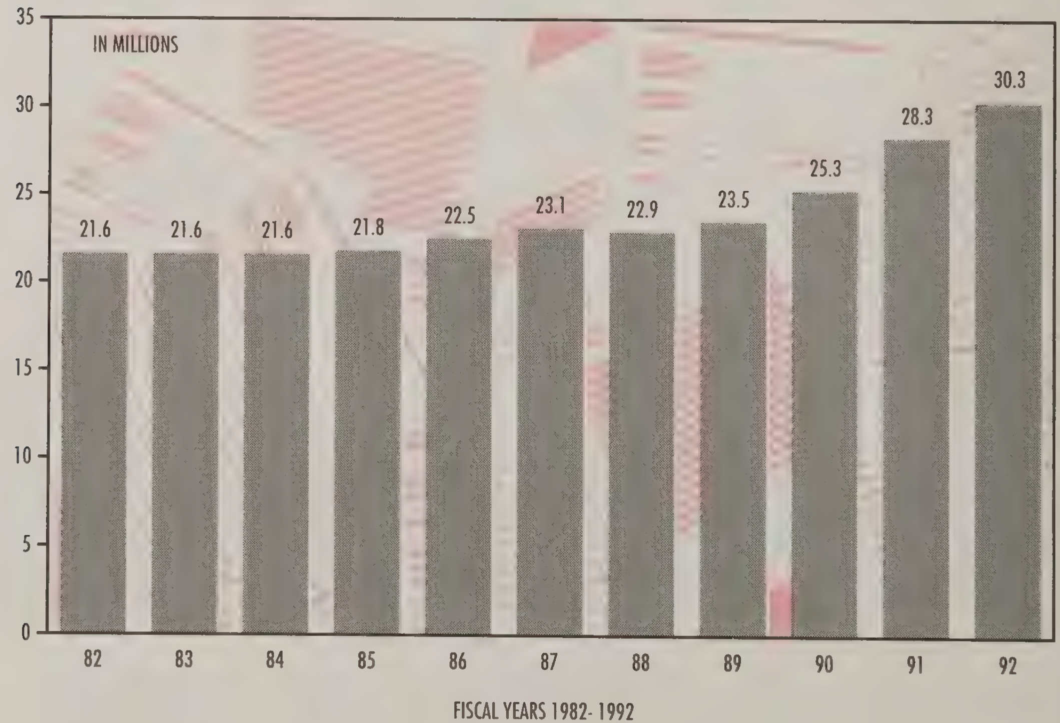
Housing assistance programs are financed by the Federal Government through HUD, and administered by local Public Housing Authorities. In fiscal year 1992 more than $18 billion was spent on Federal housing assistance programs. **Exhibit 9** illustrates expenditure patterns for housing assistance since fiscal 1982.

The Public Housing Program

The Public Housing Program was created under the U.S. Housing Act of 1937 to provide adequate "temporary shelter" in a decent environment to families who could not afford housing on the private market. For many families, however, the transition from public to private housing is met with a myriad of difficulties and therefore it is not uncommon to find third- and fourth-generation families residing in public housing.

Over its 56-year history, the Public

EXHIBIT 7
MEDICAID PROGRAM
TOTAL PROGRAM PARTICIPATION

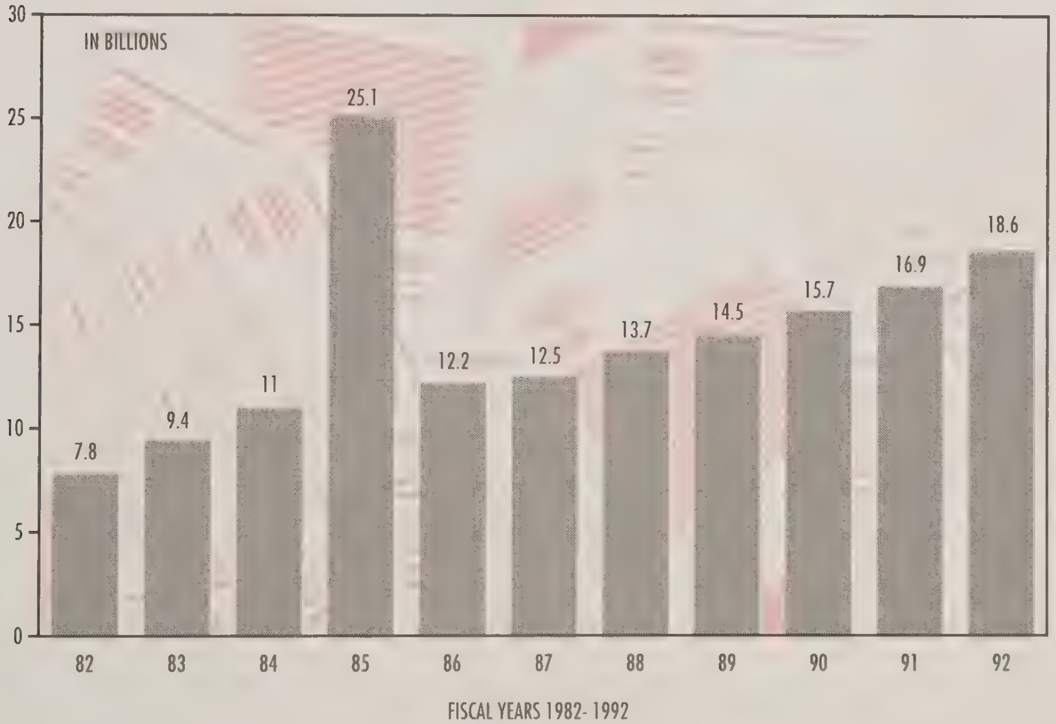


Housing Program has been the Nation's largest assisted housing program. As of January 1993, more than 1 million families lived in public housing around the country.

Eligibility is based on income and family composition. More detail on eligibility criteria is located at **Exhibit 10**.

EXHIBIT 8
HOUSING ASSISTANCE PROGRAMS
TOTAL PROGRAM PARTICIPATION

EXHIBIT 9
HOUSING ASSISTANCE PROGRAMS
TOTAL PROGRAM EXPENDITURES*



*INCLUDES HUD PROGRAMS AND FARMERS HOME ADMINISTRATION PROGRAM FOR RENTERS.

Overview of Entitlement Programs

AFDC

- Eligibility is determined on the basis of the family's circumstances in the current month.
- Needy children to age 18 deprived of parental support or care because their father or mother is absent from the home continuously, is incapacitated, is deceased or is unemployed (AFDC-UP). Eligibility for AFDC-UP is limited to families who are needy because of the unemployment of the principal earner who has a work history.
- Certain other family members in the household of such a child and, at state option, others who are deemed essential to the child's well being.
- The State may opt to provide benefits to age 19 if the child is a full-time student in a secondary or technical school and can be reasonably expected to complete the program before reaching age 19.
- Strikers are ineligible for any month if they are striking on the last day of that month. If the striker is a relative-caretaker, the whole family is ineligible.
- Eligible aliens are specifically defined. SAVE procedures are used to determine alien eligibility.
- Women with no children who are medically verified as pregnant may receive benefits beginning in the sixth month of their pregnancy.
- SSI recipients are excluded from the AFDC unit.
- As a condition of AFDC eligibility, a child's right to support payments from an absent parent is assigned to the State child support agency, which uses such payments to reimburse the State AFDC Program. If the monthly child support payment exceeds the AFDC benefit, eligibility for AFDC is lost and the right to support payments reverts back to the child.
- AFDC recipients are automatically eligible for Medicaid and free school meals.
- Individuals who lose AFDC eligibility due to increased earnings, increased hours of work, or loss of income disregard are eligible for up to 12 months of transitional child care and medical assistance. Coverage may be extended for an additional 6 months.
- AFDC recipients are required to participate in a State JOBS program, subject to specific exemptions.

FOOD STAMPS

- Households that meet financial, employment/training-related, and categorical tests for eligibility; and
- College students, if they are supporting dependents under the age of six, receiving AFDC, elderly or disabled, or working at least 20 hours per week (or under a Federal work-study program).
- Most AFDC, SSI and general assistance recipients are automatically eligible.
- SSI recipients in California are ineligible. Their SSI grants include an additional amount designated as food stamp benefit.
- Persons on strike are eligible only if they were eligible before the strike. Benefits cannot be increased based on a reduction in income caused by the strike.
- Eligible aliens are specifically defined. SAVE procedures are used to determine alien eligibility.
- Individuals living in institutional settings are ineligible.
- AFDC families with a 100% overlap between the family unit and the food stamp household unit are categorically eligible for food stamps.

HUD-SPONSORED HOUSING

- All lower income households.
- The number of families that may be assisted at any one time is limited by appropriation. Therefore, families are served on a first-come, first-served basis, after Federal and local preferences are taken into account.
- Participation by single persons who are not elderly, handicapped or disabled requires HUD approval and is limited to 15% of the units within the jurisdiction of the local PHA.

MEDICAID

Categorically Needy

- AFDC and SSI recipients, as well as other AFDC-related groups who do not actually receive cash payments, are automatically eligible in most States.
- 209(b) States limit their Medicaid coverage of SSI recipients by requiring that they meet certain more restrictive criteria that was in place before SSI was implemented in 1972. Also:
- Pregnant women and children up to age 6 with family income below 133% of Federal poverty level;
- All children under age 19 who were born after September 30, 1983 in families with incomes at or below 100% of Federal poverty level. This phases in coverage for all eligible children up to age 19 by the year 2002;
  Infants born to Medicaid-eligible pregnant women;
- Additional groups of aged, blind, or disabled persons if they meet requisite criteria for SSI;
- Certain Medicare beneficiaries; and
- Protected groups (individuals who lose cash assistance because of program rules, but may keep Medicaid for a period of time).

Optional Categorically Needy

Medicaid coverage is optional for other categorically needy groups who share characteristics of mandatory groups, but have more liberally defined eligibility criteria. They include:

- Pregnant women and infants under age 1 with incomes above 133% of Federal poverty level but below State-established maximum;
- "Ribicoff Children" - children younger than age 21 who meet AFDC income and resource requirements but not the definition of dependent child; and
- Those not receiving SSI but are receiving State-only supplementary cash payments.

Medically needy (Optional for States)

- Persons who do not meet income or resource standards. This must include children younger than 18 and pregnant women not categorically needy, and may include others (e.g., aged, blind, disabled persons).

  * As of 10/91, 41 States have medically needy programs. Two States exclude aged, blind, disabled.
  * The medically needy are subject to means testing.

AFDC

- $1,000 equity value limitation per family (or lower amount determined by the State).
- The resources and income of an alien's sponsor are deemed available to the household for 3 years following alien's entry into the U.S.

Excludable Resources

- Home owned and occupied by the AFDC family;
- One automobile if the family member's ownership interest doesn't exceed $1,500 (or a lower amount set by the State);
- One burial plot per family member and funeral agreements with maximum equity value of $1,500 for family members;
- Basic items essential to daily living; and
- For 6 months (9 months at State option) real property which the family is making good-faith effort to sell, under specific conditions.

Other Resources Excluded by Federal Statute

- Resources that are jointly owned and inaccessible, as determined by State law.

FOOD STAMPS

- Resource limit for a household with an elderly member is $3,000. Otherwise the limit is $2,000.
- Counted liquid assets include cash on hand, checking and savings accounts, savings certificates, stocks and bonds, IRAs, funds in Keogh plans, and non-recurring lump-sum payments such as insurance settlements. Also counted is the fair market value in excess of $4,500 for vehicles and the equity value of property not producing income consistent with its value (recreational property).
- The resources and income of an alien's sponsor are deemed available to the household for 3 years following alien's entry into the U.S.

Excludable Resources

- Household's home and surrounding property;
- Household goods;
- Property, work related equipment, or installment contracts that produce income or is the essential employment of household members;
- Government disaster payments designated for the restoration of a home;
- Cash value of life insurance policies;
- Resources, such as trust funds or security deposits, that are not accessible to household;
- Personal effects, including one burial space per household member; and
- Other resources expressly excluded by Federal statute.
- The value of a vehicle is excluded if it is used to produce income, is necessary for employment, is used to transport a disabled household member or if its fair market value is less than $4,500. If the equity value of any vehicle (other than the household's only vehicle and any vehicle used for getting to work) is greater than the fair market value in excess of $4,500, the equity value is counted towards the $2,000 (or $3,000) overall resource limit.

Resources Prorated as Income

- Indian lands held jointly with the tribe;
- Certain energy assistance payments;
- Property related to the maintenance of a vehicle; and
- Resources of any household member receiving AFDC or SSI.

HUD-SPONSORED HOUSING

There is no explicit limit on resources. If net family assets exceed $5,000, the greater of the actual income from assets or an amount equal to the value of the assets multiplied by the passbook savings rate is counted as income.

MEDICAID

- Resource limits are the same as SSI in non-209(b) States.
- 209(b) States use selected more restrictive criteria that were in effect before SSI was implemented.
- Resource standards for the medically needy are set by the State.
- A State's definition of countable resources must be:
  – reasonable;
  – based on family size; and
  – uniform for all individuals in a group.
- States may be more liberal with Medicaid than with SSI.

Resource Limit for SSI and Medicaid

- $2,000 for individual, $3,000 for couple. (No annual inflation adjustment). Levels may be the same or higher in States providing supplemental payments.
- Qualified Medicare Beneficiaries (QMB's) resource limits are twice SSI's $4,000 for individuals, $6,000 for couples.

Excludable Resources

- Individual's home, if he/she is living in it or intends to return to it;
- Household goods and personal items up to $2,000;
- A car;
- Burial account up to $1,500;
- Burial space.

AFDC

- All income is counted except when specifically excluded by statute or regulation.
- Income of certain persons who are not in the assistance unit must be deemed to the assistance unit. Income of a stepparent must be counted in determining eligibility and payment amounts.
- `The AFDC assistance unit also includes the parent(s) of a dependent child and any dependent siblings who are in the home (SSI recipients and children receiving foster care payments or adoption assistance are not included in this requirement).
- If a minor who is living in the same home as his/her parents applies for aid as the parent of a needy child, a portion of the income of the minor's parents is to be counted as available to the filing unit.
- Total income cannot exceed 185% of the State's need standard for the relevant family size.
- Countable income must not exceed 100% of the State need standard. Approximately 37 States pay less than the amount of their need standard - and use several methods to limit the amount of the payment. An AFDC payment cannot be less than $10. Families that do not meet the minimum payment rule are treated as AFDC recipients and receive Medicaid benefits.
- The State may disregard need-based assistance received through other programs (most States do).
- Earned income in-kind is counted.
- Unearned in-kind income may be disregarded at State option.

Earned Income Exclusions

- Income of an AFDC dependent child who is a full-time student, or a part-time student but not employed full-time is excluded.
- States may, for up to 6 months, disregard all or part of income of a child applying for AFDC, if earnings are excluded for the month in determining the family's total income pursuant to the 185% gross income eligibility test. Income from JTPA programs by a dependent child applying for AFDC may also be disregarded.
- Earned income disregards are applied to earnings of individual, not the family.

FOOD STAMPS

- Except for households composed entirely of SSI, AFDC, or general assistance, monthly cash income is the primary eligibility determinant.
- Household, rather than individual, income is considered.
- Households without elderly or disabled members must have monthly gross income of less than or equal to 130% of the Federal poverty income guidelines.
- Only net income is considered for households with an elderly or disabled member. An elderly or disabled member is one who is 60 years old or older or receives one of several disability payments including SSI, Social Security, Railroad Retirement, government disability retirement benefits, and certain Veteran's Administration payments.
- All households must have a monthly net income of less than or equal to 100% of the Federal poverty guidelines.
- Income limits vary by household size and are adjusted each October to reflect changes in the cost of living.

Gross income includes all of a household's cash income, except the following:

Excludable Income

- In-kind benefits;
- Unanticipated or irregular income (not greater than $30 per quarter);
- Scholarships, grants, loans, non-recurring lump-sum payments (counted instead as liquid assets);
- Loans (except student loans)on which payment is deferred;
- Earned income of students under age 18;
- Cost of producing self-employment income;
- Certain energy assistance payments;
- Federal Earned Income Tax Credits;
- "On-the-job" training earnings of dependent children under age 19 in JTPA, as well as JTPA monthly allowances and all unearned JTPA payments;
- Income received from the care of someone outside the household;
- Reimbursements for certain expenses;
- Most payments made to third parties (rather than directly to the household;

HUD-SPONSORED HOUSING

- Housing is targeted to "lower income" families — with anticipated annual family incomes of not greater than 80% of median income in an area and "very low income" families — with incomes not greater than 50% of median area income.
- Income eligibility is based upon family size and area median income guidelines as determined by HUD.
- Where decent, safe and sanitary housing is not provided in Indian land areas, the Indian Housing Authority may request HUD to increase income limits for Indian families and individuals.
- Eligibility and rental charges are based on countable family income expected in the 12 months following admission or reexamination. Reexamination is required annually

Countable income includes cash income from all sources, including income from assets.

Excludable Income
- Payments under the Domestic Volunteer Service Act;
- Irregular gifts;
- Reimbursements for medical expenses;
- Lump-sum additions to family assets;
- Scholarships;
- Earnings of children;
- Payments for care of foster children;
- Relocation payments;
- Low-income Home Energy Assistance;
- JTPA benefits;
- Interest in Indian trust lands;
- Earned income tax credit; and
- Hazardous-duty pay.

Deductions
- $400/year for elderly families plus medical expenses in excess of 3% of income;
- $480/year for each household member younger than 18, 18 or older and disabled, or a full-time student;
- Child care expenses up to the amount of the resulting earned income; and
- The higher of child care and travel expenses up to $25 per family per week (for Indian Housing only).

MEDICAID

- Includes earned (cash or in-kind) and unearned income (SS or VA benefits).
- Medically needy income limits cannot exceed 1331/3% of the maximum State AFDC payment made to a family of the same size with no income.
- If income is above the limit, the individual or family may still be eligible through a spend-down provision - where they may deduct any medical expenses incurred over a period of 1 to 6 months from income. When net income falls below the income limit after medical expenses are deducted, the family or individual becomes eligible.
- Income limit for nursing home and waiver populations can be increased up to 300% of maximum SSI payment level.
- For Qualified Medicaid Beneficiaries (QMB), 1991 eligibility set at 100% of Federal poverty level.

Countable Income
- Is the same as countable income under AFDC for individuals under age 21 who are not disabled or blind and caretaker relatives;
- Is the same as countable income under SSI for aged, blind, or disabled individuals in States covering all SSI recipients;
- 209(b) States can use more restrictive income criteria but are required to have a spend down provision;
- The State may be more liberal than the above descriptions.

Countable Income Under SSI (and Medicaid)
- Includes cash, other liquid assets, and non-liquid assets; and
- Eligible spouse's resources, except when couple is separated.

Excludable Income/SSI
- $20/month;
- First $65 of earned income;
- 1/2 of remaining income;
- $1,500 of life insurance proceeds;
- Cash payments for medical or other social services;
- Housing assistance under most HUD-assisted programs;

AFDC

- Standard $90 for work-related expenses;
- $30 and 1/3 of remaining earned income during the first 4 consecutive months of earnings - $30 deduction available for 8 more consecutive months;
- $175/month per child for dependent care expenses ($200 under age 2) or incapacitated adult;

Excluded Unearned Income
- First $50 of monthly child support payments;
- Educational grants and loans;
- Value of Child Nutrition and Dept of Agriculture benefits;
- Payments to VISTA workers and some Indian tribes;
- Payments made to AFDC children from State-only funds under a State program in effect since before January 1, 1979;
- Reimbursements for expenses made to volunteer foster grandparents, senior health aides, or senior companions; and
- Agent Orange settlement payments;
- Earned Income Tax Credit payments;
- Income tax refunds;
- LIHEAP payments;
- Small non-recurring gifts not to exceed $30 per individual in any quarter (at State option);
- Governmental housing subsidies (at State option);
- Bona fide loans at State option;
- Major disaster assistance; and
- All other payments that are required by Federal statute to be excluded under Federal or Federally assisted means tested programs.

FOOD STAMPS

- Cash donations not to exceed $300 from private nonprofit charities;
- Employment and training-related payments; and
- Certain foster care payments.

- At State option and cost, the amount of child support payments excluded under AFDC may also be excluded for food stamps.
- Counted (or net) monthly income is computed by subtracting certain deductions from household's gross income. It recognizes that not all of a household's income is equally available for food purchases by disregarding a standard portion of income, plus amounts which represent work expenses or excessively high non-food living expenses.

Deductions from Income
- An inflation-indexed standard deduction of $122/month (in 1992), regardless of household size;
- 20% of any earned income;
- Up to $160/month for dependent care;
- Medical deduction for households with elderly or disabled members equal to monthly medical expenses above $35; and
- Shelter costs exceeding 50% of counted household income after all other deductions, up to a ceiling of $194/month in 1992 (no limit for elderly or disabled households. Households without elderly or disabled members have a ceiling).

HUD-SPONSORED HOUSING

MEDICAID

- LIHEAP payments;
- Infrequent or irregular earned or unearned income (less than $10 or $20/month, respectively); and
- Receipts from reverse mortgages if spent in month received.

What are your frustrations with the welfare system?

"It seems that clients who try to work and make it, get punished by losing their food stamps, Medicaid, etc."

— A Public Assistance Recipient
Kansas City, KS in response to a survey about welfare

The Section 8 Housing Program

The Section 8 Housing Program is made up of the rental certificate and rental voucher programs. The rental certificate program was enacted by Congress in the Housing and Community Development Act of 1974. It represented a shift in Federal housing policy from direct Federal financing for Public Housing Authority-owned public housing and placed emphasis on the private rental market to supply decent, safe, and sanitary housing.

The rental voucher program was authorized as a demonstration program under the Housing and Urban-Rural Recovery Act of 1983. It was viewed as an improvement over the rental certificate program to more closely reflect actual private rental market operation. In 1988, legislation was enacted to make rental vouchers a permanent part of the Nation's housing policy. As of January 1993, approximately 1 million families participated in the Section 8 Program.

The Cost of Administering the Programs

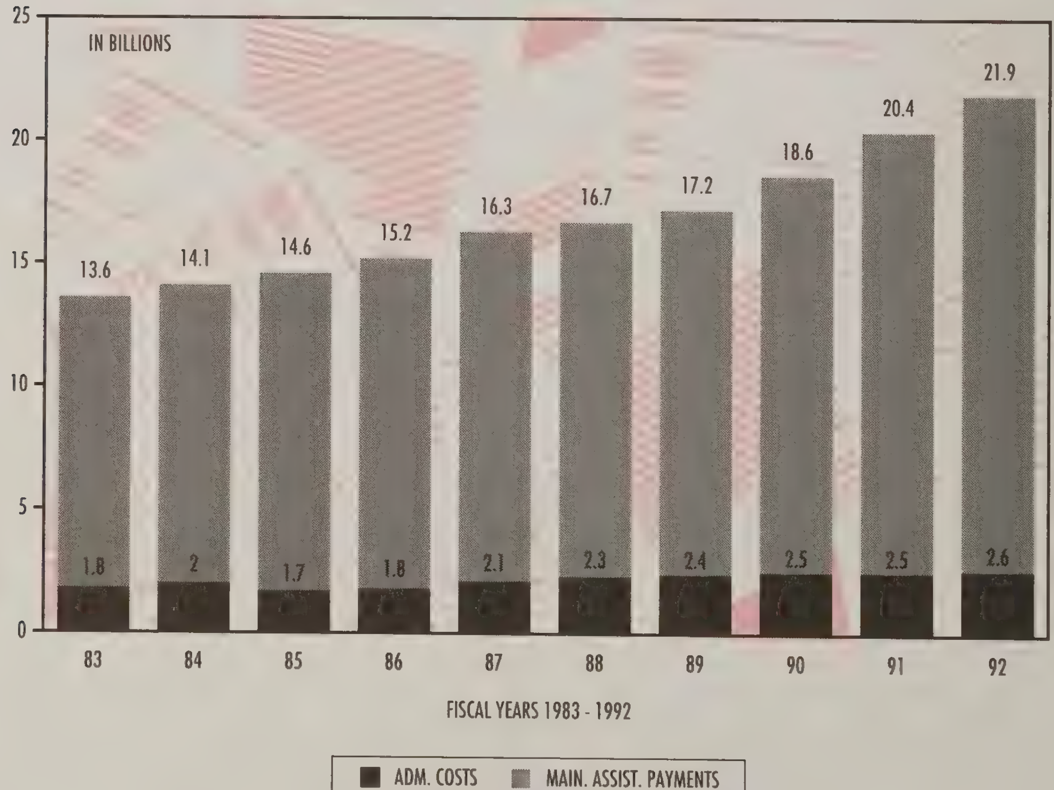
The Committee believes that the costs incurred in administering public assistance programs could be lowered dramatically by consolidating or coordinating program requirements. When a person in need has to be interviewed by the eligibility workers of different programs, at different times, providing much the same information to each, it wastes the time of both the caseworker and the client.

AFDC Program

The Federal Government matches most State expenditures for operating the AFDC Program at a rate of 50 percent, regardless of the amount the States spend.

Since fiscal year 1983, annual operating expenditures for AFDC have averaged $2.1 billion. In 1992, States and the Federal Government spent $2.6 billion (12 percent of total expenditures) to administer $21.9 billion in AFDC grant payments. **Exhibit 11**

EXHIBIT 11
TOTAL MAINTENANCE ASSISTANCE PAYMENTS AND TOTAL ADMINISTRATIVE COSTS



depicts annual operating expenditures as compared to overall expenditures for fiscal years 1982 through 1992.

Food Stamp Program

States (and counties in 10 States) and the Federal Government share equally in the cost of administering the Food Stamp Program.

Administrative expenditures for the Food Stamp Program have averaged around $1 billion annually since fiscal year 1983, approximately 7.5 percent of total program expenditures. **Exhibit 12** illustrates annual program administrative expenditures in contrast to total annual expenditures.

The Federal Government spent approximately $1.4 billion (7 percent of total expenditures) in 1992 to administer $20.9 billion in food stamp benefits.

Medicaid Program

States and the Federal Government share in the cost of administering the Medicaid Program.

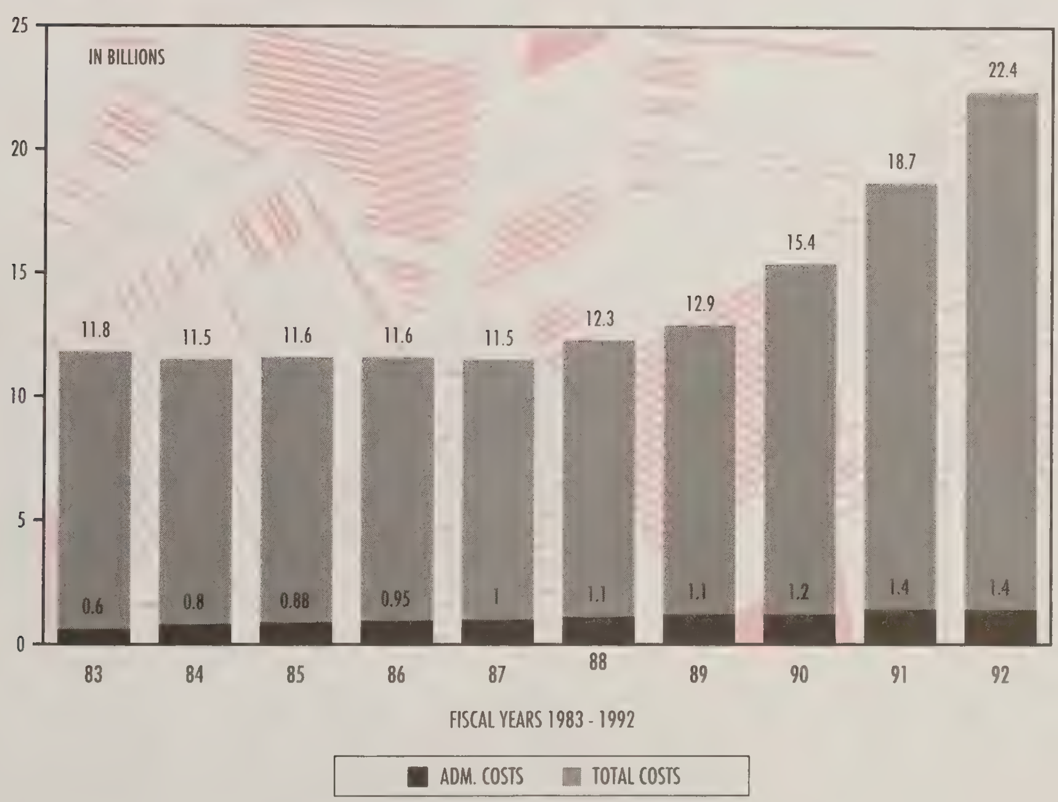
In 1992, States and the Federal Government spent $4.28 billion (3.5 percent of total outlays) of the program's total $120 billion on program administration.

Annual administrative expenditures for the Medicaid Program have grown by more than $2.4 billion since fiscal year 1984 to an average of $309 million a year. Since 1984, Federal contributions to administrative costs have averaged $1.6 billion; State contributions averaged $1.2 billion. **Exhibit 13** illustrates total annual State- and Federal-share administrative expenditures for the Medicaid Program.

Exhibit 14 compares total program expenditures for each of the 4 programs for fiscal years 1982-1992.

Exhibit 15 depicts participation trends for each program from fiscal years 1982-1992.

EXHIBIT 12
FOOD STAMP PROGRAM
FEDERAL SHARE ADMINISTRATIVE AND TOTAL EXPENDITURES



*INCLUDES FEDERAL SHARE ONLY. STATES MATCH ADMINISTRATIVE COSTS AT 50%.

EXHIBIT 13
MEDICAID ADMINISTRATIVE EXPENDITURES

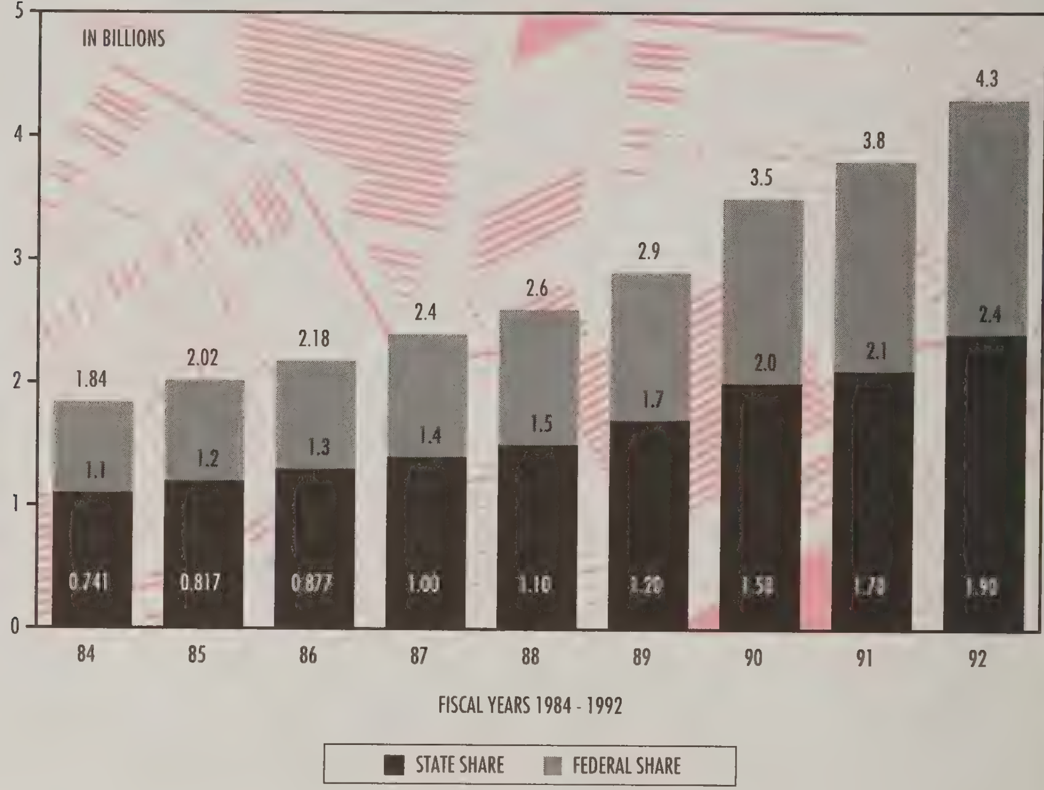
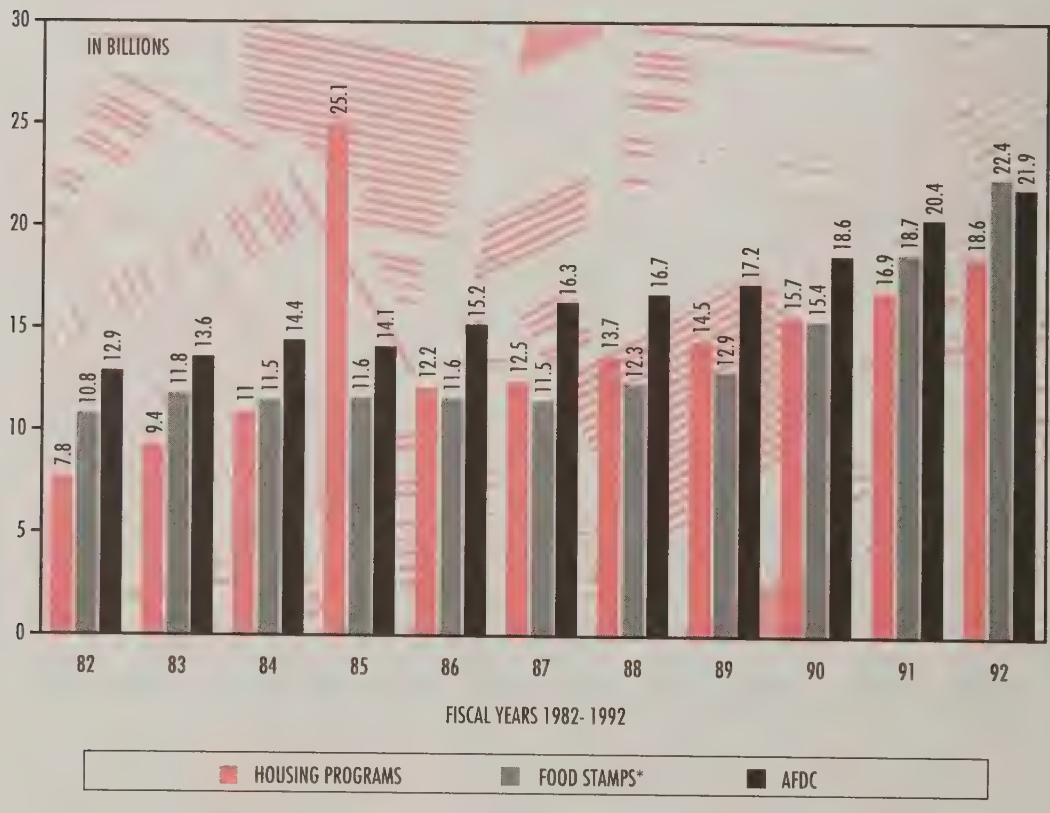


EXHIBIT 14
TOTAL PROGRAM EXPENDITURES



*EXCLUDES NATIONAL LEVEL ANNUAL COSTS FOR PRINTING OF COUPONS, STUDIES, AND SURVEY COSTS

EXHIBIT 15
TOTAL PROGRAM PARTICIPATION

"The hurdles which families have to scale in applying for help are just immense. They often must travel to different agencies, meet different eligibility standards, and abide by different rules and regulations."

— Representative
Bill Emerson, MO
Hearing before the
Select Committee on Hunger
U.S. House of Representatives
April 23, 1991

Multiple Program Participation

Most people who receive needs-based benefits receive assistance from more than one program. The chart below shows the percentage of persons in each of the four major assistance programs that receive benefits from multiple programs.

Participation in AFDC, Medicaid, and the Food Stamp Program is clustered tightly:

- Everyone who receives AFDC is eligible for Medicaid;
- Nine out of 10 AFDC recipients receive food stamps;
- Two out of three Medicaid recipients receive food stamps;
- Three out of four food stamp recipients receive Medicaid; and
- One-fourth of those receiving AFDC also receive housing assistance.

The relationship between housing assistance and the other programs is not as apparent. About half of all households that receive housing assistance also receive Medicaid; about half receive food stamps and one-third receive AFDC.

Mathematica Policy Research[4] examined the participation of low-income households in 17 different programs using the 1984 *Survey of Income and Program Participation.* Among the findings were:

- Households of different types varied in their receipt of multiple benefits. While most low-income households (those with gross incomes below 130 percent of the poverty line) participated in at least one program, about one in four households did not participate in any program. These households tended to be intact families with children.

4. Sharon Long, Multiple Program Participation Among Food Stamp Recipients, (Washington, DC: Mathematica Policy Research, February 1988).

MULTIPLE PROGRAM PARTICIPATION
JANUARY 1991

AND THOSE WHO RECEIVE:	PERCENT OF INDIVIDUALS WHO RECEIVE:			
	FOOD STAMPS	AFDC	MEDICAID	ASSISTED HOUSING
FOOD STAMPS	100	90	65	51
AFDC	50	100	49	35
MEDICAID	74	100	100	53
ASSISTED HOUSING	30	24	27	100
TOTAL PERSONS (IN THOUSANDS)	18,143	10,018	20,481	10,505

Source: Survey of Income and Program Participation (SIPP), Wave 4 of the 1990 Panel.

Notes: SIPP is a household survey that relies on self-reported participation in programs. As such, benefit receipt is underreported.

Percents do not sum to 100 percent due to multiple program receipt by individuals.

- Multiple program participation is much more frequent among food stamp households than among the general low-income population.
- Non-food stamp nutrition programs were among the most frequently used benefit programs for both food stamp households and the general low-income population.
- The three multiple benefit combinations most frequently used by food stamp recipient households all include AFDC and Medicaid. Female-headed families with children are the typical recipients of this package.
- Multiple benefit receipt by food stamp households is very effective in reducing the poverty gap for those households.
- The extent to which the needs of different types of households are met by the available assistance programs varies substantially. ■

Chapter IV

Previous Attempts at Coordination and Simplification

The need for program coordination and simplification was recognized decades ago. Numerous attempts have been made since the late 1960's to overhaul or repair a system that seemed to be rapidly careening out of control. From our perspective in 1993, we can look back and see that the system, or collage of programs serving the needy, has become an unwieldy monster. More significantly, we can see that without dramatic change it is almost certain that reports such as this one will continue to be presented to Congress long into the future.

Since the early cries of alarm some progress has been made in bringing assistance programs into closer conformance with one another and in improving access to them (see chapter V). To a far greater extent, however, differences, both large and small, have thrust the programs into their own individual orbits—connecting, at the Federal level, only when there was a specific legislative mandate to do so.

Twenty-two years ago, Elliot Richardson, former Secretary of what was then the Department of Health, Education, and Welfare (HEW) recognized that most programs were suffering from a "hardening of the categories."

In 1977 former HEW Secretary Joseph Califano made a similar observation: "Given the vast resources this Nation spends on income assistance, it is appalling that our programs are so poorly coordinated, that these programs unfairly exclude millions from adequate aid...and that they are an administrative jungle, incomprehensible to legislators, administrators, and the American people alike."

It is clear that ample attention has been devoted to analyzing the dynamics of program interactions. Inconsistencies, duplication, barriers to participation, and other problems have been identified over and over again. This Committee does not intend to repeat this process but, rather, has chosen to review the studies and reports, and learn from them. As a precursor to its work, the Committee felt it imperative to review these efforts and their fates.

- One of the earlier attempts to reform the system was the Family Assistance Plan (FAP). Initially introduced in 1969 and again in 1971, this legislation included universal coverage and a significant work component. This measure was proposed by the Administration of President Richard Nixon, who believed that, "Hard work is what made America great" and that any work was preferable to public assistance. A report released by the House Ways and Means Committee explained the motivation of the bill's supporters in the Congress. The Committee reported it believed "that the American people do not want a system which results in promoting welfare as a way of life." As a result, it "developed a program which is in the interest of the taxpayer as well as the needy."

Under FAP, a minimum income ($2,400 for a family of four in 1970) would have been established. It included a provision for assistance to the working poor with the proviso that employable parents, including mothers, work. Families exempt from work and the training provision would get the same amount under FAP, except that persons considered eligible for rehabilitation would be referred to State vocational rehabilitation agencies and receive $30 per month as an incentive allowance and for expenses. Benefits would be reduced if they failed to comply.

Drafters of the bill recognized the lack of child care would be an obstacle for mothers to work. Therefore, funding was included for child care facilities and services. The bill increased funding to enforce child support collections and called for Federal family planning services.

It included no provision for cost-of-living increases and there was no requirement that States pay supplementary assistance. Also, States would not have to pay more for Medicaid than they paid in 1971. Consequently, some recipients of aid would stand to lose under FAP.

"We have tinkered on the edges of this nonsystem—we've tried to deal with individual parts of it over the past 10 or 15 years—and it has only gotten worse. If you only take on one piece of it at a time without creating the environment for systemic change, you're likely to have unintended consequences that make the problem even worse."

— Hillary Rodham Clinton
on health care reform

• In December of 1973 the staff of the Joint Economic Committee, chaired by Congresswoman Martha Griffiths, undertook an extensive study of the public assistance system. It resulted in 20 volumes addressing a variety of aspects of the system, including coordination issues.

• The Allied Services Act was a proposal put forth as legislation in 1974 and again in 1975, but never enacted. The bill would have authorized demonstration grants to States and through States to localities, to develop "allied services plans" providing for the coordinated delivery of human services.

Special implementation grants would have been available to assist in covering the initial costs of consolidating administrative support services and management functions. The Act would have permitted States to transfer funds from one program to another for similar uses. Administrative and technical barriers between programs could have been waived by the Secretary of HEW when they impeded coordinated delivery of services.

• Former President Jimmy Carter was so impressed with the need for a more efficient, effective public assistance system he made it a key theme of his 1976 campaign:

We should have a simpler national public welfare program, with one fairly uniform standard of payment, adjusted to the extent feasible for cost-of-living differences by areas and with strong work incentives built in....

On January 25, 1977, at one of his first press conferences, the new President announced that Joseph Califano, his selection for Secretary of HEW, would present him with a comprehensive plan to reform the public assistance system by May 1 of that year. With this extremely tight timeframe Secretary Califano launched a major effort to identify problems with the Nation's income assistance programs and recommend solutions.

A 32-member consulting group consisting of representatives of the Congress, executive branch agencies, State and local government officials, public assistance recipients, and public interest organizations was appointed. The group conducted weekly public meetings to consider the public assistance system. Attendance ranged between 100 and 200 each week. Opinions were solicited from every governor and Member of Congress and more than 200 State and local government officials and experts in social welfare. More than 10,000 newspapers, radio and television stations, journals, and magazines were contacted. One hundred forty-five meetings were held, including 70 open town meetings. More than 15,000 individuals or organizations offered input.

The findings? In his report to the President, Secretary Califano wrote that:

One central conclusion emerges from our work to date: The welter of programs that are collected under the rubric of the 'welfare system' must be scrapped. Major structural reform of our income assistance programs for the poor is necessary if we are to encourage work wherever possible, provide basic income protection for those who are unable to provide for themselves, provide incentives for keeping the family together, and simplify and make more efficient the basic administrative structure.

In his recommendations the Secretary wrote,

My basic recommendation...is that tinkering with the present system—trying to make incremental changes in the existing hodgepodge of income assistance programs—is not the proper course to follow. We must, instead, view the income assistance system as a whole and we must completely restructure the system so that it is comprehensive, fair, and efficient. Given the inequities and administrative chaos caused by a welter of inconsistent and confusing programs, nothing less than a total effort at welfare reform will do.

Guidelines for a legislative proposal included a consolidated cash assistance component that would encompass AFDC, Supplemental Security Income (SSI) benefits, and food stamps. "Such a consolidated cash assistance program would reduce leakage, simplify existing administrative structures, and make income assistance more understandable to officials and recipients alike."

- In December 1978, President Carter called for an interagency effort to analyze and recommend improvements in the eligibility requirements and administrative procedures of Federal public assistance programs. The programs under review included AFDC, SSI, food stamps, Medicaid, Title XX, Section 8 Housing, and the Comprehensive Employment and Training Administration.

President Carter's hope was that the review would "produce recommendations which will lead to more consistent and less burdensome government-wide practices to make the eligibility determination process simple, understandable, and efficient...."

The Eligibility Simplification Project Steering Group was comprised of assistant secretaries directed by the Secretary of HEW and the Director of the Office of Management and Budget.

The scope of the project was limited in two ways. First, the team analyzed only the factors in each program that affected **financial eligibility** requirements and procedures, **not** those related to the amount of benefits or services the programs would provide. Second, analyses were limited to **Federal** requirements, not those imposed by State or local governments.

The project involved an exhaustive study of all eligibility requirements and procedures governing eligibility determination in the seven programs. Requirements were broken down to the smallest possible units of analysis to facilitate cross-program reviews. For example, 130 discrete elements of income were identified.

Options to standardize or eliminate requirements were evaluated against this set of criteria:

- impact on program purpose;
- program and administrative costs;
- responsiveness to clients; and
- potential for reducing waste, lowering error rates, and improving understanding.

In October 1980 a final version of the report was published, including recommendations for specific changes which would "reduce the conflicting and unnecessarily burdensome and duplicative eligibility requirements...." Because of the change in Administrations the next year, the recommendations were not championed and most were never adopted.

- State and local human service commissioners, brought together by APWA completed work on their Matter of Commitment Project in 1986. The commissioners conducted a comprehensive review of public assistance programs to find ways to transform that system into a means of achieving self-sufficiency. Recommendations in the project's report, *One Child in Four*, emphasized the need to change assistance programs into vehicles for self-sufficiency for as many recipients as possible. The report called for a set of mutual obligations between public assistance agencies and clients, opportunities and incentives for education and job training, and a realistic base of income support. Many of the principles in the report were reflected in the Family Support Act of 1988, sponsored by Senator Daniel Patrick Moynihan.

The Commissioners also recommended establishing a Family Living Standard (FLS)—a nationally mandated, State-specific cash grant that would take the place of AFDC, food stamps, and Low-Income Home Energy Assistance Program payments. While the Family Support Act did not include the FLS, it did require a study of this and alternative benefit formulas by the National Academy of Sciences. This study is now in progress.

- In his 1986 State of the Union Address, President Ronald Reagan directed the White House Domestic Policy Council to study the public assis-

tance system and to propose a strategy to change the system so that it would better serve the poor. In response to this charge, the Council's Low Income Opportunity Working Group made an extensive year-long study of public assistance and poverty in the Nation.

The Working Group, comprised of officials from Federal agencies that manage public assistance programs and led by the White House Office of Policy Development, consulted current and former public assistance recipients, eligibility workers, local political leaders, and many of the Nation's governors. The result of its work was a series of reports entitled *Up From Dependency: A New National Public Assistance Strategy.*

The group looked at public assistance as a recipient would, as a **system** rather than as a series of unconnected programs. It felt that the weaknesses that characterize a centralized system—rulemaking from the top down, failure to develop individual potential, and failure to utilize local resources—contribute to the persistence of poverty.

The group held that national solutions to dealing with poverty have failed and that the only answer is to find solutions in our neighborhoods, communities, and States. It recommended using the States as laboratories to experiment with reforms on a small scale, before proposing systemic change at the national level.

The cornerstone of the *Up From Dependency* recommendations is long-term experimentation through demonstrations that are both community-based and State-sponsored. The Federal Government would articulate policy goals and define parameters for any reform experiment and maintain current levels of financing. Recognizing the extensive amount of experimentation already proceeding in States and communities, the group cautioned against proposing "national" welfare reforms unless they had been locally tested.

The Interagency Low Income Opportunity Advisory Board was formed by the White House in 1986 to enhance coordination of public assistance programs and policies across Departmental lines and create a focal point for intergovernmental coordination of public assistance initiatives.

- When the National Commission on Employment Policy undertook a "coordination project" to review the interaction of public employment programs, it discovered that interaction was hampered by the lack of coordination of public assistance programs in general. The target of review was broadened, to encompass all needs-based programs.

> *"Administrative convenience must no longer govern service delivery. Health, social service and education providers must modify 'business as usual' to collaboratively meet the needs of individual adolescents and their families."*
>
> — National Commission on the Role of the School and the Community in Improving Adolescent Health, *Code Blue: Uniting for Healthier Youth* National Association of State Boards of Education, 1990

At a series of seminars during the spring and summer of 1991, the Commission heard from almost 200 people involved at all levels of the public assistance system. The Commission also engaged in extensive information collection and analysis.

In October 1991 the Commission sent its recommendations to the President and Congress. Recommendations to the President included:

- expand authority of the Economic Empowerment Task Force to resolve problems affecting design and implementation of Federal assistance programs;
- direct the agencies that administer public assistance programs to develop a common framework for streamlining eligibility requirements, formulating standard definitions, and easing administrative and documentation requirements; and
- combine the many programs that provide employment and training services to the economically disadvantaged into one agency.

The Commission recommended that Congress:

- assign responsibility for legislation and oversight over public assistance programs to a single Committee on Public Assistance in each Chamber;
- work with Executive Branch agencies to develop a common framework for streamlining eligibility requirements, formulating standard definitions and poverty measures, and easing administrative and documentation requirements;
- enact legislation to establish human resource councils at the State level to foster coordinated program approaches; and
- require that an economic, fiscal, and institutional analysis be conducted for each congressionally authored institutional reform or adjustment in Federal assistance programs.

Why Have Previous Efforts Failed?

All of the attempts to simplify and coordinate the programs have encountered obstacles. Chief among these have been differences in the goals of reform efforts, the cost of program changes, a reluctance to lower benefits in one area (even if benefits may increase in other areas), support for program differences, and the relatively low priority given to simplification issues by the Congress.

1. Different Reform Goals

Reform efforts in public assistance have run the gamut from attempts to overhaul the entire structure for assisting low-income persons to endeavors to conform and simplify program rules. A consensus has never been reached on whether the existing set of programs should be replaced or retained and improved by making their rules more consistent and straightforward. This lack of consensus has resulted in a diffusion of effort and attention.

2. Budget Impacts

Any change in program eligibility requirements or benefit levels affects program costs and the benefit amounts of individuals. In fiscal year 1991 AFDC and Food Stamp Program benefit payments totaled $37.3 billion. Given the fiscal magnitude of these programs, a change in program parameters can beget significant budgetary consequences.

For example, raising the AFDC asset limit from the current $1,000 to the $2,000 Food Stamp Program limit would allow more people to get AFDC. In fiscal year 1992 such a move would have increased AFDC costs by $135 million (Food Stamp Program costs would have fallen by $40 million because these people would have had higher incomes for the purpose of food stamp benefit determinations). In addition, since the new AFDC recipients would be categorically eligible for Medicaid, costs for that program would increase. Lowering the Food Stamp

"Private values must be at the heart of public policies."

— Former President Ronald Reagan
State of the Union Address
February 4, 1986

Program asset limit to the $1,000 AFDC threshold would save $250 million because fewer people would be eligible.

If AFDC were to adopt the more liberal Food Stamp Program rules on counting the value of vehicles in determining asset eligibility, AFDC costs would increase by $700 million because more people would qualify for assistance (Food Stamp Program costs would decrease by $200 million, based on fiscal year 1992 estimates by FNS). Medicaid costs would also rise with the increase in the AFDC numbers.

Proposals to consolidate programs or streamline eligibility determinations are sometimes crafted to be budget-neutral by balancing costs and savings. While this leaves average benefit levels unchanged, it creates groups of winners and losers.

In the early 1970's, welfare reform efforts such as President Nixon's proposed Family Assistance Plan focused on creating a national cash welfare system with uniform eligibility and benefit levels. Such proposals would have established benefit levels higher than some State AFDC grants and lower than others. These benefit levels were opposed by client advocates from high-grant AFDC States who did not want to see people get less aid and also by interest groups from low-grant AFDC States who did not want to see more people added to the public assistance rolls. The proposals failed.

In the Food Stamp Act of 1977, the Congress attempted to simplify the benefit determination process by reducing the number of separate income deductions that eligibility workers must establish and compute. A proposal to simplify the process by replacing the individualized excess shelter expense deduction with a larger standard deduction for all households was tabled by legislators from States with higher housing costs (and constituents who benefit from the individualized computation). A similar proposal submitted by the USDA in 1983 failed, again because a higher standard deduction—while not changing average benefits—would create winners and losers and there was reluctance to lower benefits for households with higher shelter cost burdens.

3. Financial Choices

Financial resources for these programs are limited and subject to many competing demands. Congress has not chosen to invest in changes to better align the programs. While in recent years Congress has increased food stamp benefits, the additional monies have been targeted at raising allotment levels rather than achieving program conformity. Similarly, Congress provided for more resources in the AFDC program in the Family Support Act of 1988. Again, monies were targeted toward priorities such as establishing the Jobs Opportunities and Basic Skills Training Program (JOBS), providing for more transitional support for people leaving the AFDC rolls, and extending the AFDC-UP component rather than at changes aimed at enhancing conformity. In Medicaid, Congress recently provided for expanding the caseload by mandating coverage of all young children from poor families. Again, Congress chose to increase funding for the program but did so in an area that does not conform or simplify the program.

4. Congressional Inattention

The lack of funding to support program conformity is symptomatic of a larger problem: conformity issues have not received legislative attention. Part of the problem is the split jurisdiction within the Congress on public assistance issues. No committee is responsible for aligning programs. Committees focus on the programs within their jurisdiction with little awareness of the collective impact of the individual pieces of legislation that emerge. It is much easier to modify existing programs than to create new ones. For example, increasing the housing cost deduction in the Food Stamp Program has broad support; getting any sort of entitlement directly as part of a housing program, however, is very difficult.

Legislative action is often reactive, depending upon the priorities established by new administrations as well as public opinion. Thus, congressional

priorities have shifted back and forth from increasing client benefits, to program accountability, to budget cutbacks, and once more to program coordination and simplification.

Another factor contributing to the lack of attention has been a lack of vigorous advocacy for conformity issues.

5. *Executive Branch Inattention*

As in Congress, each major program is overseen by its own agency and no one below the Office of the President is responsible for central oversight. Although coordination has increased in recent years, no formal structure exists for interagency cooperation. Each agency has its own agenda and at the top levels of Government there are higher priorities vying for attention.

6. *Competing Constituencies*

Another factor inhibiting change is that some different program requirements may enjoy strong support from important constituencies. For example, the Food Stamp Program requires that highly needy applicants get benefits within 5 days and that all applications be acted on within 30 days. The AFDC program provides for 45 days for application approval, with some exceptions (e.g., a State invoking presumptive eligibility provisions for special circumstances). The Food Stamp Program timeframes enjoy strong support because quick access to food assistance is seen by many as a fundamental program goal. The longer timeframe allowed for AFDC is supported by State agencies and their front line workers because it allows more time to process the application.

7. *State/Federal/Local Balance*

Programs may differ substantially in terms of their balance of Federal and State responsibility. Since 1971 the Food Stamp Program has emphasized uniform national standards which have strong support in many quarters; the AFDC Program has emphasized more State latitude. The food stamp benefit is entirely federally financed and the expectation is that the Federal Government should exert strong control over its distribution. This control takes two basic forms: 1) control over the details of benefit determination; and 2) control over operations to ensure accountability. The AFDC benefit is funded by both the Federal and State Governments, and there has been greater support for allowing State Governments more control over the program.

The Food Stamp Program has detailed Federal requirements for State application processing. The AFDC program allows more State agency flexibility. The 1985 regulatory proposal to extend similar flexibility to State agencies in processing food stamp applications was vehemently opposed by client advocacy groups and Members of Congress who saw the proposal as a dilution of important procedural protections designed to safeguard access to food assistance.

Housing aid is 100-percent federally funded and administered through local public housing authorities. The Housing Authorities have some flexibility in how they administer their programs, but the Federal Government establishes parameters.

8. *Timing*

The timing of conformity recommendations may affect their impact. For example, the interagency task force established in late 1978 reported in 1980. Shortly thereafter, a new Administration with a much different perspective on public assistance took over and had no interest in advancing the recommendations of its predecessors.

Interest in program integration has been expressed periodically by Members of Congress, Federal agencies, and State agencies but these interests have never come together at the same time.

The time for change is NOW. Coordination and simplification of assistance programs has the attention of the President, the Congress, and the American people. A new economic plan and a new system of health care should go hand-in-hand with a streamlined process to aid the needy. ■

"The paperwork is so overwhelming, it precludes a focus on clients. If ever there was a system of the 'tail wagging the dog,' this is it."

— Virginia Mustain, National Eligibility Workers, Testimony before the House Agriculture Subcommittee on Domestic Marketing, Consumer Relations and Nutrition
June 23, 1992

Chapter V

Simplification and Coordination Efforts Currently in Effect

As discussed in chapter IV, many efforts to simplify and coordinate Federal public assistance programs have been attempted over the years. Some progress has been made to bring the programs into closer conformity. For example, automatic eligibility for Medicaid for all AFDC clients eliminates a second application and the associated processing activities for intake in the Medicaid program.

Efforts by the four programs reviewed in this report have resulted in demonstrations and policies designed to ease the burden on clients and administrators alike. Some examples are highlighted in this chapter.

State and Local Efforts at Simplification and Coordination

State, county, and city governments have initiated innumerable projects aimed at simplifying and coordinating the administration of public assistance programs. Local efforts have often been the catalyst for simplification and coordination changes at the Federal level. State and local administrators have been vocal in urging Federal legislators and administrators to adopt reforms. Many local efforts can be adapted and serve as models for Federal use.

One-Stop Shopping In Delaware and Maryland

One example of coordination at the State and local level is the concept of one-stop services. At its meeting in Wilmington, Delaware, the Committee had the opportunity to learn more about this concept.

The concept of one-stop services for public assistance has been around for a long time. Delaware has been a recent innovator in the development of one-stop services through a system of single entry, multiservice facilities that house public and private human service programs in community locations. Two key goals guide the one-stop services system: 1) service is client-centered and results-oriented, with an emphasis on working with individuals and their families to maximize independence; and 2) the system itself must be self-correcting—constantly retooling to keep pace with changing client needs and a changing service delivery environment.

Accessibility and client convenience are integral features of the one-stop services concept. Twelve State Service Centers are located strategically throughout Delaware. Most clients need to travel fewer than 5 miles to get to a center. An 800 number provides telephone assistance in getting information about services.

The services provided at each center are geared to the population of the surrounding community. Collocation or consolidation of service providers is maximized. The major services available include certification for public assistance, public health, child support enforcement, mental health, and help with alcohol and drug abuse. To the extent possible other related agencies, such as Vocational Rehabilitation, Adult Corrections, Child Protective Services, Youth Rehabilitative Services, and Department of Public Instruction may be housed in the Service Centers. Numerous nongovernment agencies are also collocated within the Service Centers, including Head Start, Senior Centers, and Alcohol and Drug Counseling programs. When a particular center does not offer a service onsite, staff will make referrals to those organizations above and such organizations as Social Security Administration, Meals on Wheels, Visiting Nurse Association, Alcoholics Anonymous, Family Court, and the Special Olympics.

Elsewhere, the City of Baltimore is combining housing and human services through the Family Development Center located in the Lafayette Courts public housing development. The Development Center was inaugurated in 1987. With 85 percent of the families in Lafayette Courts receiving some form of public assistance, many of the families are trapped in the cycle of poverty with little hope of breaking into the mainstream. The Develop-

ment Center offers residents one-stop shopping for programs from five government agencies.

The center occupies nine adjacent apartment units on the first floor of a high-rise. The apartments have been converted to a health center, day care facility, preschool classroom, literacy lab, education and employment training center, computer lab, and counseling offices. The Development Center is working to provide the comprehensive resources necessary to boost self-esteem, improve skills, enhance the ability to deal with setbacks and obstacles, and provide a structured plan to help guide families away from dependence on public housing and public assistance and toward self-sufficiency.

Federal Efforts at Simplification and Coordination

Federal efforts at simplification and coordination often have their roots in State and local initiatives. Many of the initiatives discussed in this section were the result of input and pressure from States, counties, and others, such as recipient advocates.

Joint Processing and Categorical Eligibility

Joint processing and categorical eligibility save time and money, and reduce the "hassle" factor for both clients and caseworkers. Under joint processing, applicants have the benefit of "one-stop shopping", i.e., they can apply for more than one program at a time using one application form, with a single interview at initial application. Joint processing may not work, however, if membership of the assistance group varies between programs.

Categorical eligibility, which often goes hand-in-hand with joint processing, is a policy whereby an applicant for a particular program is presumed eligible based on his or her eligibility for another program that has comparable or stricter needs tests. This policy saves time and effort for both the applicant and the caseworker since normal verification requirements are waived under presumptive eligibility. A major drawback, however, is that in some instances benefit levels are very low or nonexistent due to the differences in the treatment of income between programs and the definition of eligible members.

Many of the programs have developed joint processing and categorical eligibility policies. For example, a family seeking assistance from a social services office will find that procedures for processing the application and determining eligibility for AFDC, general assistance, and food stamps are integrated to a large extent. The family will have only one interview for AFDC and food stamps and will not have to provide the same information to both the food stamp and AFDC eligibility workers. If everyone in the household is eligible for AFDC or general assistance programs, the household group is automatically eligible for food stamps.

Even though the household is categorically eligible for both programs, separate rules still apply for counting income and establishing benefit levels. Computation of benefit levels for each program must be done separately as well. If the household does not qualify for AFDC, its case is handled as a non-public assistance food stamp household, and it does not have to provide additional information.

Similarly, individuals applying for SSI benefits may apply for food stamps at the same time. The State may arrange to have Social Security Administration (SSA) staff complete and forward food stamp applications to the local social services office, or it may outstation food stamp eligibility workers at the SSA offices. Through these procedures, SSI applicants are able to apply for food stamps without having to make a separate trip to the food stamp office. Households in which all members receive SSI are categorically eligible for food stamps.

AFDC and SSI clients living in "mixed" households with non-AFDC/SSI beneficiaries are deemed to have satisfied the food stamp asset

"Interrelated problems and programs represent a compelling case for transforming the current fragmented array of services into local integrated service delivery systems organized holistically around at-risk families to produce measurable improvements in their lives and their prospects."

— *Services Integration: A Twenty Year Retrospective*
Department of Health and Human Services,
Office of the Inspector General, 1991

eligibility test because they have passed the AFDC or SSI test. The AFDC or SSI client is categorically asset-eligible, and his or her assets are not counted in judging the household's eligibility for food stamp purposes.

In 32 States, AFDC and SSI clients are automatically eligible for Medicaid (79 percent of all SSI recipients are represented). A State may limit its Medicaid to SSI recipients by requiring a separate Medicaid application or by using criteria no more restrictive than were used in the approved State Medicaid plan in January 1972. Twelve States, representing 18 percent of SSI recipients, use this option.

In most States, other AFDC-related groups who do not actually receive cash payments are automatically eligible for Medicaid.

Demonstration Projects, Welfare Reform Initiatives and Regulatory Waivers

Through demonstration projects, welfare reform initiatives, and waivers of program regulations, States are better able to coordinate policies among programs to enhance service to clients and improve administrative efficiency. Demonstration projects and welfare reform initiatives permit a broader expression of waiver authority than is normally allowed under the general administrative waiver authority, especially for certain programs, such as AFDC and the housing assistance programs under HUD, that do not have waiver authority. Section 1115 of the Social Security Act permits statutory and regulatory waivers for the AFDC Program under the auspices of demonstration projects. Unlike the general administrative waiver authority, the expanded demonstration authority includes a requirement for evaluation; each demonstration and welfare reform initiative must be evaluated to determine its effectiveness.

Demonstration Projects

The idea for legislation authorizing demonstration projects often originates with States or other sources outside the Federal government. But, demonstrations are also initiated at the Federal level and States are solicited to participate. Some examples of ongoing demonstrations follow.

- *Food Stamp Employment and Training Program/JOBS Demonstration*

In March 1992, USDA offered to allow selected States to test conformance between the Food Stamp Employment and Training (E&T) Program and the JOBS Program of the AFDC Program. Under this demonstration, Food Stamp Program regulations are waived to allow for conformity with JOBS. The five participating State agencies will evaluate the results of their efforts and report them to USDA.

- *Economic Empowerment Partnerships*

HHS and the U.S. Department of Housing and Urban Development (HUD) are jointly funding 13 economic empowerment partnerships to promote self-sufficiency among AFDC clients residing in public housing developments. This demonstration began in October 1991. The two Departments are allowing creative waivers designed to reduce the disincentives to employment. HUD is permitting the sites to use public housing units for nonresidential activities (e.g., training centers, micro-businesses, and supportive services activities).

HHS is allowing waivers of certain AFDC rules which are disincentives to business ownership (e.g., restrictions on personal or business asset accumulation) and permitting clients to keep a greater portion of increased income from work. In addition, HHS is allowing sites to require that AFDC payments be contingent upon successful participation in work or other activities. Finally, HHS is extending eligibility for the JOBS program to a larger population than would ordinarily be covered.

"There are great people in public housing. Although folks will tell you it's full of lazy people, drug-pushing thieves looking for a place to stay, I found out that wasn't true. I found there were young people so talented, they should be anywhere from Hollywood to the White House. But they don't have the opportunity. With the resources, the support systems and training, they can be just like people in any other community."

— Ann Wilson
Milwaukee Housing Authority

- *Transitional Housing*

The Housing Act of 1987 created the Transitional Families Demonstration Program which required waivers from programs within HHS, USDA, and HUD. This 7-year demonstration project, called the GATEWAY Program, is being carried out by the Charlotte Housing Authority. The purpose of the program is to demonstrate the effectiveness of providing a comprehensive program of services to participating public housing residents to ensure the successful transition of such residents to private housing.

During its Charlotte, North Carolina, meeting in January 1993, the Committee visited the GATEWAY Program. The program assists families with annual incomes under $12,500 living in assisted housing to become self-sufficient by offering both a safety-net and a means to accumulate the capital necessary to make the transition to private housing. GATEWAY offers educational and job training assistance along with other supportive services to prepare participants for employment.

Upon entry into the GATEWAY Program, a participant's rent and any AFDC, Medicaid, and food stamp benefits are frozen while he or she receives educational and occupational training necessary to compete on the private market, along with an array of other services to help the participant become self-sufficient. This "remedial stage" may last up to 2 years. This period allows families to pay off their debts and repair their credit rating prior to pursuing homeownership.

Once the major barriers have been overcome, the family enters the second part of the GATEWAY Program, the "transitional stage," which can last up to 5 years. During this part of the program, the family's rent will rise as it normally would for residents of public housing in relationship to their income (30 percent). Also during this phase, the families will receive assistance in upgrading their job skills and training on home ownership. At the end of the program, the family agrees to leave assisted housing to seek housing on the private market.

One of the unique features of the GATEWAY Program, in addition to the freezing of benefits, is that an escrow savings account is established for the family to be used at the end of the program either as a downpayment on a home or other private market housing when the family is ready to leave public housing. During the transitional stage, a portion of the family's rent is placed in this savings account.

- *Washington Family Independence Program*

At its August 1992 meeting in Seattle, Washington, the Committee visited

with staff and participants of the Washington Family Independence Program (FIP). FIP is a 5-year demonstration project aimed at illustrating how enhanced employment and training services and incentives for entering training or work helps families get off public assistance and move towards self-sufficiency. The FIP program is unique in that it emphasizes individualized assessment and training services.

Under FIP, participants receive a guaranteed level of cash assistance equal to what they would have received under the AFDC and Food Stamp Programs, and may receive cash incentives for participating in training or employment activities. In addition, the program offers help with child care costs and offers 1 year of transitional benefits in the form of medical care assistance when participants are earning enough to make them ineligible for cash assistance.

FIP has been applauded by administrators, staff, and clients because it emphasizes education and training for individuals and gives special attention to the needs of pregnant and parenting teens. Its case management approach, the positive attitude of staff, and regular monitoring of participants gives the participants the emotional and physical support they need to be successful.

Despite its success and popularity among clients and administrators alike, the State will be unable to continue FIP at the end of the demonstration. The authority for the demonstration will expire and the State would have to seek legislative relief to be able to continue. Moreover, the State reports that it cannot afford to continue FIP. A requirement of the demonstration is that it be cost-neutral, i.e., the total cost of operating the demonstration shall not exceed the base-line cost to individually operate the Food Stamp, AFDC and Medicaid Programs in absence of the demonstration. FIP is more expensive than the cost to operate the three programs. The State is currently paying the difference in cost, but will be unable to continue this practice beyond the end of the demonstration.

- *Utah Single Parent Employment Demonstration*

The Utah Single Parent Demonstration is an attempt to change AFDC in that State from an income-maintenance program to an employment program. The key components of the demonstration are: required self-sufficiency planning for AFDC applicants, greater coordination of AFDC and JOBS with child support enforcement, stricter JOBS participation requirements, greater coordination between AFDC and services for public housing residents, and greater financial incentives to encourage work. The latter provision will include raising the resource limit to $2,000 and the automobile limit to $8,000, replacing the current earned income disregards with a single disregard of $100 (for applicants and recipients) plus 45 percent, and expanding eligibility for transitional Medicaid and child care services.

The evaluation of this 5-year demonstration will measure the project's impacts on employment, income, child support collections, and exit and recidivism rates for AFDC and food stamps. Along with AFDC and food stamp payments and receipt of Medicaid services, the evaluation will also determine the project's effect on JOBS and Food Stamp E&T Program participation rates and paternities and child support orders established.

It should be noted that projects like Washington FIP and the Utah Single Parent Employment Demonstration are limited in scope since they reach relatively small populations for short periods of time. Consequently, despite their successful outcomes they do not eliminate dependency for longer-term recipients.

Welfare Reform Initiatives

Welfare reform initiatives are launched at the State and county level. Waivers are granted in concert by USDA, HHS,

"The dirty little secret is that, far from being forced to work, welfare mothers are for practical purposes prevented from working."

— Senator Daniel Patrick Moynihan
Congressional Record
April 21, 1988

and other Federal agencies, as appropriate, for the projects proposed by States.

- *Alabama's Avenues to Self-Sufficiency through Employment and Training Services*

Known as ASSETS, this is one of the earliest welfare reform initiatives. It combines food stamp and AFDC benefits to provide clients a single monthly cash grant. Case management is an integral part of ASSETS. Among other things, the approved waivers permit the State to require food stamp clients to cooperate with child support collection efforts. Nationally this is required only of AFDC clients. Administrators also established a vehicle disregard, authorizing one licensed driver per household to own a car without affecting the family's benefits.

ASSETS has been praised by workers and administrators because it is simpler and easier to understand than existing rules. Implemented in three counties—Clarke, Limestone, and Madison—ASSETS began on July 1, 1990, and will continue until June 30, 1994. The project will be evaluated by an independent contractor using a longitudinal study to compare the three test counties with three matched nontreatment counties in terms of net impact and cost-benefit.

- *To Strengthen Michigan Families Program*

Another welfare reform initiative is the To Strengthen Michigan Families Program, which began in 1992. A broad family support program, this project consists of a wide variety of AFDC, JOBS, child support, and Medicaid provisions. This 5-year project changes current AFDC procedures through expansion of the AFDC-Unemployed Parent Program by eliminating the 100-hour work limitation and the attachment to the labor force requirement, replacing the current AFDC earned income disregards with a single disregard of $200 plus 20 percent of the remainder with no time limit, and excluding all income earned by dependent children who are students. JOBS-related provisions include allowing noncustodial parents to participate in JOBS, removing the JOBS requirement that gives first consideration to voluntary clients, and lengthening the job search period before assessment from 3 weeks to 8 weeks.

As for Medicaid eligibility, the project establishes a $5,000 maximum limit (except for SSI recipients) for exclusion of funeral goods and services, and it requires medically-needy Medicaid clients to meet their spend-down requirement by paying their excess income to the State.

A wide variety of improvements in child support enforcement, which did not require waivers, are included in the project: requiring child support agencies to establish mechanisms to identify persons with access to health insurance coverage, requiring noncustodial parents to disclose their child support obligations to employers for mandatory withholding, and requiring hospitals to accept and record paternity acknowledgements as part of birth registration.

The evaluation will measure the project's impacts on employment, earnings, marital status, AFDC and food stamp receipt, and exit and recidivism rates for AFDC. The evaluation will also include a nonexperimental study to determine whether the demonstration leads to increased collection of court-ordered child support and increased paternity establishment.

General Administrative Waiver Authority

The programs also have varying degrees of authority to waive legislative and regulatory provisions. The Food Stamp Program has administrative authority to grant waivers that would result in a more effective and efficient administration of the program. Often, waivers are sought by States in an effort to coordinate food stamps with other programs, such as AFDC. Waivers may be granted if they are not inconsistent with the provisions of the Food Stamp Act of 1977 or they will not result in the impairment of any

statutory or regulatory rights of clients or potential clients.

The AFDC program does not have broad administrative waiver authority like the Food Stamp Program; however, the Social Security Act permits waivers beyond those afforded under demonstration authority, to promote compatibility with the Food Stamp Program on monthly reporting and retrospective budgeting. Also, HUD does not have waiver authority for the administration of its housing assistance programs.

Cash-Out

In California, individuals receiving SSI benefits and/or State supplementary payments are ineligible to receive food stamps. Instead, they receive a State-financed adjustment to their SSI payment each month. These individuals are not considered food stamp clients; however, the SSI payments are increased to include a flat allowance in lieu of a food stamp benefit. There is no individualized computation of food stamp benefits for an SSI case. This policy benefits clients in several ways. Many SSI participants have severe disabilities. Providing food stamp benefits in cash rather than coupons (cash-out) relieves them of the inconvenience of traveling to issuance centers to obtain their coupons. It also allows them more flexibility if they are unable to travel to a store and someone else must make their food purchases for them. Receiving cash instead of coupons removes the stigma of being "on public assistance" and may encourage eligible households not currently participating to apply for benefits.

Demonstrations were conducted by the USDA's FNS in Alabama and San Diego, California, on the feasibility of cashing out food stamp benefits for the general food stamp population. The San Diego demonstration began in July 1989 and is scheduled to last 54 months. The project began with 20 percent of the county's caseload and expanded to the entire county in September 1990. The Alabama demonstration was a short-term project that ran from May to December 1990. The project was implemented in 12 counties and involved approximately 2,000 households.

Findings from the Alabama and San Diego demonstrations, as well as results from two other demonstrations, the Washington State Family Independence Program and the Alabama ASSETS Program, have allowed FNS officials to draw some tentative conclusions about the effect of cash-out on food stamp households. However, FNS cautions that the information now available from these demonstrations only describes the short-term effect of cash-out on household expenditures, food use, nutrient availability, and preferences. Also, there is only limited information on administrative costs and retailer preferences and, as yet, no information on program participation. Additional information on the effects of cash-out will be available following further analyses.

At this time the following conclusions are being offered by FNS.

- Cash-out appears to reduce household food expenditures, but the size of the reduction remains uncertain.
- Some evidence exists that cash-out reduces the availability of some nutrients. It is not clear, however, that households receiving checks are at significant greater nutritional risk.
- Little evidence has been found of any increase in the incidence of acute food shortages, or deterioration in the perceived adequacy of the home food supply due to cash-out.
- Some evidence exists that cash-out leads to higher expenditures on some items other than food.
- Households that receive checks prefer them to coupons.

The Food and Nutrition Service is also conducting demonstrations on cashing out the first month's food stamp benefits for households eligible for expedited service. In Vermont, checks for the full month's allotment

are issued on the day of application to eligible households. In Minnesota, expedited service households have the option of receiving a partial food stamp benefit by check or receiving the entire allotment by coupon. For those who choose the partial allotment by check, approximately 25 percent of the benefits are issued on the day of application. The remainder of the allotment is mailed in coupon form on the next business day. The Minnesota project began in October 1990 and will run for 31 months. The Vermont demonstration was implemented in July 1991 and will continue for 36 months.

Disregarding Income from Other Programs

One of the more problematic effects of the lack of coordination among programs has been the unavoidable decrease in benefits in one program whenever there is an increase in benefits in another program. Generally, cash benefits are counted as income under the other programs. Any increase in benefits, therefore, is counted as an increase in income and may result in a reduction of benefits. For example, a cost-of-living increase in SSI program benefits will result in a decrease in food stamp benefits, thereby somewhat negating the SSI increase. The same process may occur when a client receives wages as part of a welfare-to-work program.

These policies make it very difficult for families to make any headway in getting off public assistance. Any progress they make under one program is often offset by a decrease under another program, resulting in no or very little net change. This decrease in benefits becomes a disincentive for participation in programs designed to move families toward independence. Chapter VI, Disincentives in Welfare Programs: The Debate Surrounding Self-Sufficiency, discusses disincentives in more detail.

Some progress has been made in eliminating disincentives. HUD excludes payments received under HUD-funded training programs from being counted as income when calculating rent. Stipends, transportation payments, child care vouchers, and wages, when the employment is a component of the training program, are not considered in determining the household's rent obligation. Therefore, rent does not increase while the individual is participating in the training program. The same is not true, however, if the individual is participating in a training program not funded by HUD.

Other HUD initiatives, such as the GATEWAY Housing Program in Charlotte, North Carolina, and the HUD Family Self-Sufficiency (FSS) Program allow the accumulation of assets in an escrow account. The funds are not counted as income by assistance programs as they accumulate. Upon completion of the GATEWAY program, the escrow account is used as a downpayment for the purchase of a private home. In the FSS program, although the escrow account can be used for homeownership, there is no restricted use of the funds.

For AFDC clients moving into employment the loss of eligibility for medical assistance can be a barrier to becoming self-sufficient. Upon employment, an AFDC client receives a standard $90 deduction for work-related expenses and an earned income disregard of $30 plus one-third of the remaining earnings during the first 4 months. For the next 8 months, the client receives the $90 deduction plus the $30 disregard, but no longer receives the disregard for one-third of the remaining income each month. This loss of the one-third disregard can cause the assistance unit to be ineligible for AFDC because of excess countable income.

Prior to 1984, ineligibility for AFDC would automatically lead to a loss of Medicaid benefits for most families. To prevent this from happening to working families, AFDC rules now allow the assistance unit to remain eligible for Medicaid services for an additional 9 months despite ineligibility for AFDC—thus easing the transi-

tion from public assistance to self-sufficiency.

Another example is the efforts of USDA, HHS, and HUD to conform their policies on counting income to disregard the income of low-income persons hired to conduct the 1990 Census. This was a coordinated effort among the three Departments and the Census Bureau to help gather census data, and to provide work to the unemployed, many of whom were lacking any work experience. This temporary work provided these individuals with valuable experience that could be used in marketing themselves to prospective employers. The income disregard provided the much-needed assurance that these individuals and their families would not lose benefits or, in the case of assisted housing, experience an increase in rent, by accepting this employment.

■ *Electronic Benefit Transfer (EBT) System*

The EBT System uses an encoded card, similar to an Automated Teller Machine card, to provide benefits. The client simply takes the card to a participating store, runs the card through the terminal at the check-out counter, and enters a personal identification number into the system. Identity and account balance are checked automatically, and the value of his or her food purchases is electronically deducted from his or her monthly allotment.

The EBT System provides some of the same benefits as cash-out. It eliminates the need for coupons and, therefore, the need for a client to visit an issuance center. It helps remove the stigma of using food stamps. This approach also makes it more difficult for clients to traffic or divert benefits from their intended purpose, thereby reducing the incidence of fraud and abuse.

Since 1984, USDA has explored EBT systems through demonstration projects. Five States are currently operating USDA-approved demonstrations. More recently, HHS' ACF has participated as well. For example, the project being implemented statewide in Maryland includes food stamps, AFDC, child support and General Assistance. Based on the results of these demonstrations, USDA intended that ultimately EBT would be a comprehensive nationwide food stamp issuance system. It was seen as a way to improve the integrity and operational efficiency of the Food Stamp Program. With the support of USDA and others, Congress amended the Food Stamp Act of 1977 to require USDA to establish standards for the approval of State online EBT systems for issuing food stamp benefits.[1] On April 1, 1992, USDA published a final rule establishing these standards and authorizing States to use EBT as an alternative benefit delivery system. Approximately 30 States have expressed interest in developing online EBT systems for issuing food stamp benefits. These States are in varying stages of planning and implementation.

The foregoing represents just some of the many examples of simplification and coordination currently in operation that involve some or all of the four Federal programs. However, these efforts and others are being forged in piecemeal fashion and are not part of a national coordinated effort. It is time for a change and this Committee sincerely hopes that this report will generate a new level of interest in simplifying and coordinating the Federal public assistance system. A national commitment to welfare reform is needed to generate a carefully coordinated system of initiatives, all with a goal of helping low-income individuals and families achieve self-sufficiency. ■

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1. Section 1729 of the Mickey Leland Memorial Domestic Hunger Relief Act of 1990 (Title XVII, Public Law 101-624, enacted November 28, 1990).

"...'the invisible husband.' The system gives you food, housing, medical protection, pays your bills, and lets you stay home and take care of the children. Why work?"

— Welfare recipient in Baltimore
Final Report of Findings of Focus Group Research Conducted on behalf of the National Association of Neighborhoods, Prism Corp.
Fall 1986

Chapter VI

Disincentives in Welfare Programs: The Debate Surrounding Self-Sufficiency

If you work, you shouldn't be poor. There are people out there who are playing by the rules and losing the game. Now, who is going to play by the rules if you can't win?

—David Ellwood, "Poor Support"

There is little disagreement among public assistance experts that assistance programs must in some way encourage or enable clients to become independent. However, there is considerable disagreement regarding the appropriate mechanism(s) for encouraging self-sufficiency.

Some experts believe most, if not all, public assistance clients need intensive education and training programs that will prepare them for the workforce and enable them to secure "good" jobs. Others think that many or most clients are ready to work and simply need the proper encouragement to seek and obtain employment. Some stress an aggressive form of encouragement—requiring able-bodied individuals to actively seek employment as a condition of receiving assistance. Others believe that job-ready clients make economic decisions to continue participating in public assistance programs rather than working because assistance is more profitable than work. Therefore, they argue, reforms must be made within and outside of the public assistance system to make work more lucrative.

There is also considerable debate within the public assistance community about the effects on marriage and family stability, as well as concern that assistance programs, particularly the AFDC Program, discourage marriage and encourage marital breakups and out-of-wedlock births.

One of the reasons for this concern is that for many years some two-parent families were unable to receive assistance through AFDC. With the passage of the Family Support Act in 1988, all States were required to offer AFDC to two parent families in which the primary wage earner is employed fewer than 100 hours. However, States have the option of providing AFDC-UP for as few as 6 months in any 12-month period, and many States have opted to provide only this minimal coverage. In many States there are still more restrictions on two-parent families than those with one.

Concerns about the effect of public assistance on family structure are especially important given research findings that single women with children have lower incomes, even though they may be more likely to work, than single

"At 7:30 a.m. Linda Baldwin was out the door, down a dank public housing stairway, past the armed lobby guards, and headed for the El on another workday morning.

Twelve hours later she was home, crossing a courtyard carpet of broken glass and, as usual, about $7.75 poorer than if she had never left.

After a decade on welfare, Ms. Baldwin, 32 years old, has done what elected officials ...insist she should do: she has left welfare for the world of work..."

women without children or married women. In addition, research on system dynamics indicates that most exits from public assistance occur after a change in family structure (i.e., marriage). Similarly, most **entries** into the public assistance system occur **after** a change in family structure, generally divorce or birth of a child.

The subject of this chapter is incentives or disincentives built into the public assistance system that prevent or inhibit individuals from becoming self-sufficient.

Some disincentives function by immediately eliminating benefits when a certain event, such as marriage, occurs. Others gradually phase out benefits until clients are no longer eligible, as when earned income gradually increases to the point where a family no longer meets the income eligibility guidelines of an assistance program. Other incentives or disincentives are a function of benefit levels. For example, higher AFDC benefits in one State may encourage poor individuals from neighboring States to migrate and thus increase their incomes.

Sometimes various incentives and disincentives can interact. For example, benefit payments may be set at such a level that a family whose earnings are increasing may at some point decide that the benefits for which they are eligible are not worth the time it takes to apply for benefits or the stigma associated with assistance receipt. In other words, at some point the rational economic decision is to forgo assistance altogether.

Public assistance stigma is an example of an intangible factor that is difficult, if not impossible, to include in economic models of incentives and disincentives. Other examples include the hassle associated with applying for public assistance and the increased self-esteem associated with working. While such intangible benefits or costs of the public assistance system are difficult to quantify, they cannot be ignored when discussing alternatives to increase self-sufficiency.

In addition, studies of the effects of incentives and disincentives must consider the whole spectrum of assistance programs as well as the costs associated with working or leaving assistance. For example, many public assistance clients participate in a variety of programs, including AFDC, the Food Stamp Program, housing assistance, and Medicaid. Clients who have some earned income may also receive an Earned Income Tax Credit (EITC). When these families leave the public assistance system, they may lose Medicaid but still not have private health insurance. Likewise, while they may now receive an EITC, their child care expenses and taxes will also increase. Thus, there are a variety of offsetting costs and benefits associated with leaving assistance, and not all are directly a part of the system.

Disincentive Effects on Working

When experts debate public assistance program disincentives to working, they are generally referring to program benefit reduction rates (BRRs). A BRR is the rate at which program benefits are reduced for each additional dollar of countable household income. Not all programs have benefit reduction rates. For example, Medicaid clients generally are covered for the same medical services regardless of income as long as they meet the program income eligibility guidelines. However, AFDC, the Food Stamp Program, and housing assistance programs all provide benefits that vary depending upon household income.

In the Food Stamp Program, households lose 30 cents in food stamps for each additional dollar in income. In most States, AFDC benefits are reduced essentially dollar-for-dollar when other income increases. The exception to these BRRs for both programs is when the new income is from earnings; both programs have earned income deductions that can lower the effective BRR. Under the two major housing programs for low-income families, Section 8 housing and public

"In two years of full-time employment, Ms. Baldwin's earnings have pushed her rent up and her food stamps down and disqualified her from cash assistance. She has lost some of her medical insurance and three of her four children have lost all of theirs. At the same time, Ms. Baldwin has incurred new expenses for child care, transportation and clothes..."

housing, rental assistance is a function of either gross countable income or net countable income (after certain deductions are made). The BRR for these two programs is either 10 cents for every dollar increase in gross income or 30 cents for every dollar increase in net income, whichever is higher.

BRRs are designed to meet one or more of the following major goals: targeting benefits to those most in need, minimizing program costs, and preserving work incentives. These goals obviously conflict at times. A BRR that attempts to minimize program costs will reduce benefits rapidly as family incomes increase so that benefit dollars may be saved. On the other hand, if the major program goal is to encourage clients to work, the BRR will reduce earned income at a slower pace so that families have a financial incentive to work.

To be effective, a BRR should reduce benefits gradually so that as a household approaches the income eligibility limit, benefits near zero. If benefits are reduced too slowly, as might be the case if the BRR is set at a low level to encourage work, a notch is created. This happens if a family whose income is slightly below the eligibility cutoff receives a large benefit, but loses that benefit altogether if an extra dollar or two in earnings puts the family above the eligibility limit. The Medicaid Program is a prime example of this since benefits stay essentially the same until a household **exceeds** the income eligibility limit.

As described above, BRRs vary from program to program and thus can be less of a disincentive in some programs than in others. In addition, when families participate in more than one program, benefit reductions in one program can be offset by increases in other programs. For example, a household receiving both AFDC and food stamp benefits would see its AFDC benefit reduced essentially dollar-for-dollar when earned income increases. However, its food stamps could actually increase because gross countable income would not change (since both AFDC and earnings are countable income for the Food Stamp Program) and the household would be allowed to deduct 20 percent of its increased earnings from net income (which is used when calculating food stamp benefits).

On the other hand, households may actually be worse off in some cases when earnings increase. Because taxes increase while program benefits fall, the effective BRR a household faces may be greater than 100 percent as earnings rise past program eligibility limits.[1]

Both the AFDC and Food Stamp Programs permit households with earnings to deduct a portion of those earnings from gross countable income. An earned income deduction attempts to reduce disincentives to working by acknowledging that families incur certain expenses, such as taxes, when working. As mentioned above, food stamp families with earned income receive a deduction of 20 percent of their earnings, which results in an effective BRR of 24 percent.

Critics would argue that the earned income deductions in public assistance programs, particularly AFDC, are not large enough to induce individuals to work. Regardless, they do seek to increase work incentives by reducing the effective BRR a family faces.

While individual public assistance programs may each have their own explicit benefit reduction rates, the implicit BRR a family faces will depend on the particular combination of programs in which it participates. The effect of earnings on benefits becomes more complex with multiple program participation. For example, an increase in earnings will diminish housing assistance (through rent increases) by

1. Gordon Lewis and Richard Morrison, "Interactions Among Social Welfare Programs," *Evaluation Review*, Vol. 14, December 1990, pp. 632-638; Thomas Fraker, *The Interaction and Sequencing of Assistance Programs: A Study of Six Hypothetical Households, A final report to the U.S. Department of Agriculture, Food and Nutrition Service*, (Princeton, NJ: Mathematica Policy Research, September 1987), pp. ii-iv.

"She enjoys her job as a counselor in a youth program run by a nonprofit agency... But for now, her $12,480 salary still leaves her almost $3,000 below the Government poverty line for a family of five.

Like most women who leave welfare for work, Ms. Baldwin still thinks it is in her interest to do so...She thinks her initiative sets a good example for her children....And while many welfare recipients can get jobs only as dishwashers or maids, Ms. Baldwin views herself as something of a professional. She does work she considers important and bears the job title, 'social worker.' "

— New York Times
July 8, 1992

approximately 30 cents for each additional dollar of countable income. Eligibility for Medicaid may terminate at a dollar threshold. The amount of the Earned Income Tax Credit to which a family is entitled will increase up to a point and then diminish. Other deductions to which the household is entitled may reduce or increase the BRR. This web of interacting effects can be confusing to clients. It is difficult to explain to people how their benefits will be affected if they get a job. Moreover, people may look at the prospect of reduced cash benefits, lower food stamp allotments, no medical coverage, and higher rents and be discouraged from working.

An analysis by the Jeffco Self-Sufficiency Council, entitled "The Cliffs of Self-Sufficiency," shows the drop in benefits that families may face as they enter the workforce (see appendix C).

Other impacts of earnings on benefits may be caused by different budgeting systems. In his paper entitled, "Public Assistance and the Working Poor: How Simplification Could Support Efforts to Make Work Pay," Mark Greenberg of the Center for Law and Social Policy highlights the impact of retrospective budgeting on a family with fluctuating earned income (see appendix D).

In addition, any increases in work hours among current clients are likely to be offset by decreases in work hours among newly eligible clients, resulting in no net increase in labor supply. One approach to increasing work incentives is to lower the BRR. However, this is likely to result in higher levels of participation in the short run (because more families are eligible) and higher benefit costs (because more income is disregarded).

The new Administration is interested in increasing work incentives, i.e., increasing the EITC and/or the minimum wage. The EITC is a refundable tax credit for working poor families with children. The value of the EITC is greater when earnings are lower, and families with more than one child receive a larger credit. Families can either receive the EITC as a tax refund or credit when filing their tax returns, or can receive a credit in their weekly paychecks.

In the past few years, both the EITC and the minimum wage have increased, but they still are at low enough levels that a family containing a full-time, minimum-wage earner and receiving an EITC may live below the poverty level. Therefore, some experts argue for an EITC benefit that, when combined with minimum wage earnings, would equal the Federal poverty level.

A final set of reforms to encourage public assistance clients to work acknowledges that families who work their way off assistance can incur very costly child care and medical care expenses, which create a further disincentive to work. In an attempt to reduce this disincentive, the Family Support Act requires States to provide transitional child care assistance and Medicaid coverage for one year to families whose increased earnings make them ineligible for AFDC. As this change was only recently implemented, few families have taken advantage of these benefits.

It is clear, however, that Medicaid plays an important role in the decision of whether to work or receive public assistance. Findings of a recent study conclude that, "Medicaid enhances the value of welfare, and private insurance enhances the value of work. If private insurance were as comprehensive as Medicaid and readily available at all jobs, its impact in promoting work would be substantially greater than is the impact of Medicaid in promoting the use of welfare."[2]

2. Barbara Wolfe, Ph.D. and Robert Moffitt, *Health Care Financing Review* (forthcoming).

"Yes, yes, yes."

(In answer to the question: Would many young women try to become trained for jobs and obtain jobs if they could keep Medicaid? Would it make any difference?)

— Theresa Palmer, teen mother
Rockwell Gardens, Chicago, IL
Beyond Rhetoric

Disincentive Effects on Participation and Turnover

Another way of examining how the public assistance system provides an incentive to remain dependent is to look at the relationship between benefit levels and the BRR and participation and turnover in assistance programs. The theory behind this relationship assumes individuals make rational economic decisions regarding whether to participate in assistance programs by balancing the amount of benefit they would receive with the costs of participating (for example, the time and hassle involved in applying for benefits).

When looking at participation at one point in time, it is clear that there is a positive relationship between benefit levels and participation—the higher the benefit, the more likely a family is to participate in the program. Also as expected, the BRR has a negative impact on a family's decision to participate, with participation less likely as the BRR increases.[3]

The same effects can be seen when examining dynamic models of participation (i.e., exits from and entries into the public assistance system). The higher the benefit a family receives, the less likely the family is to leave AFDC. Likewise, higher expected benefits increase the probability of entry onto public assistance rolls.[4]

The research on participation dynamics also has found a negative relationship between the amount of time a family is on assistance and the probability they will leave in the future. In other words, the exit rate from the public assistance system falls as the assistance spell lengthens. This could be a result of negative effects of the assistance system itself (i.e., the erosion of self-esteem), employer discrimination against long-term assistance clients, the tendency of longer-term assistance clients to lack work experience, or other reasons. It is not clear whether time on public assistance has an independent effect on the probability of leaving.

In general, the higher benefits are, the more likely families are to participate in assistance programs.

Conclusions

In restructuring public assistance, Congress must pay close attention to the impact of earnings on all types of benefit levels. To promote self-sufficiency, the relationship between benefits and earnings should be: 1) clear and simple to understand; 2) effectively communicated to clients; and 3) attractive to clients—work should be more rewarding than assistance. ■

3. Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature*, Vol. XXX, March 1992, p. 19; Nancy Burstein and Mary Visher, *The Dynamics of Food Stamp Program Participation. A final report to the U.S. Department of Agriculture, Food and Nutrition Service* (Cambridge, MA: Abt Associates, Inc., March 1989).
4. Moffitt, p. 24.

Chapter VII

Barriers

As directed in the legislation, the first objective of the Committee was to identify the significant policies, derived from statute, regulation, or administrative practice, that have been implemented in the Food Stamp Program, cash and medical assistance programs under the Social Security Act, and housing assistance programs that, because they differ substantially:

- make it difficult for those eligible to apply for and obtain benefits from more than one program; and
- restrict the ability of administrators of such programs to provide efficient, timely, and appropriate benefits to those eligible for more than one type of assistance.

The legislation instructed the Committee to draw, where appropriate, on previous efforts to coordinate and simplify such programs and policies.

The barriers identified by the Committee create a confusing and complex environment. It frustrates program administrators and clients alike and deters application for assistance. Individuals are often unaware of which benefits they are qualified to receive. Those that do apply may receive benefits in an untimely manner or at a level lower than that to which they are entitled because of misinformation and communication problems.

Program administrators face great difficulties in managing several programs with differing and often conflicting policies. The frustration level of eligibility workers is very high, as is the turnover rate of staff in the profession. Workers complain about the difficulty of interpreting the hundreds of rules they are required to know. Mountains of paperwork grow out of the verification requirements. Much of this documentation is required to protect States from vulnerability to Federal quality control sanctions. This concern prompts States to attempt to verify more client information and, in turn, affects timeliness of service delivery by lengthening the certification process.

Sources for Identifying Barriers

The Committee consulted many different sources in its efforts to identify the barriers to participation. A list of materials reviewed by the Committee is included in appendix E. Committee members and staff also met with program administrators at the Federal, State, and local levels, caseworkers, advocates, and clients to gather information on problem areas where the programs could be simplified and coordinated.

Previous Efforts

Another important source was the previous efforts at simplification and coordination summarized in chapter IV. In particular, the Committee would like to note the work done by the White House Domestic Policy Council's Interagency Low Income Opportunity Advisory Board in its 1987 six-volume report entitled, *Up From Dependency: A New National Public Assistance Strategy.*

Other reports consulted by the Committee include the National Commission for Employment Policy's October 1991 special report entitled, *Coordinating Federal Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials,* a January 1991 report by HHS's Office of Inspector General, *Services Integration: A Twenty Year Retrospective,* and a January 1991 joint publication by the Education and Human Services Consortium, *What It Takes: Structuring Interagency Partnerships to Connect Children and Families with Comprehensive Services.* These reports were very helpful in identifying the barriers faced by program managers and clients.

Participation Rate Studies

The Committee also looked at participation rate studies to determine the extent to which barriers hinder pro-

"...the ability of those in need to finally receive assistance often reflects more on their stamina than on the efficiency of the programs."

— Representative
Bill Emerson, MO
Hearing before the
Select Committee on Hunger
U.S. House of Representatives
April 23, 1991

gram participation. The Committee reviewed two studies of the Food Stamp Program—*Food Stamp Program Participation Rates: January 1988* and *Food Stamp Program Participation Rates: January 1989.* These reports revealed that while the Food Stamp Program reaches a large portion of the eligible population (59 percent of eligibles in both years), substantial numbers of eligible persons (41 percent) do not participate. Specific portions of the eligible population were noted for their low rates of participation. The participation rate for the elderly was much lower than average (34 percent in 1988, and 29 percent in 1989) and households with earnings participated at a lower-than-average rate (34 percent in 1988, and 32 percent in 1989). The disabled participated at rates just below the average population—55 percent in 1988 and 57 percent in 1989.

These reports also revealed that rates fell between August 1985 and January 1988 and held steady from January 1988 and January 1989. Using data from the *Survey of Income and Program Participation* to estimate participation rates, the studies showed that the drop in participation rates between 1985 and 1988 was due almost entirely to the combination of expansions of program eligibility criteria implemented by the Food Security Act of 1985 and very low participation among those households made newly eligible by the Act (only 6 percent participation rate compared with a rate of 56 percent among all eligible households). Thus, those most affected by the new eligibility provisions of the Food Security Act (households with single and elderly persons) did not take advantage of their eligibility.

Both reports find that the benefit participation rate (67 percent in 1988 and 66 percent in 1989) was substantially higher than the individual participation rate (59 percent in both years). This consistent pattern indicates that households eligible for higher benefits and thus in greater need are more likely to participate than households eligible for lower benefits. It also indicates that larger households with more children are more likely to participate than smaller households. Thus, the larger and more needy families will persevere in the face of all of the obstacles in the application process, while individuals and smaller households may not.

Operational Studies

To help determine why 41 percent of the eligible population was not participating, the Committee consulted an April 1992 report by USDA's FNS entitled *The Food Stamp Application Process: Office Operations and Client Experiences.* In this study, FNS looked at how Federal, State, and local policies and procedures encourage or inhibit individuals from completing the application process, or impose unnecessary costs and burdens as a condition of participation. The study found that 34 percent of those who contact the food stamp office do not complete the application process. Of these, 19 percent do not even file an application, 11 percent file an application but do not complete the certification interview, and 4 percent attend the interview but do not submit all the documents requested to verify their household's circumstances.

Of the 34 percent who did not complete the application process, approximately half thought they would probably be eligible but still did not fulfill some procedural requirement of the application process. These individuals reported specific factors that caused them not to complete the process:

- Time and "hassle involved";
- Length of the process or particular aspects of the process;
- Problems getting to the office;
- Confusion about the process;
- Long waits at the office; or
- "Unobtainable" documents required to verify the household's circumstances.

The report looked at the application process in terms of time and

money applicants spent for transportation, child care, production of documentation, and foregone wages. Applicants and potential applicants spend, on average, about 5 hours performing application-related activities. The further an applicant gets in the process, the more time it takes. Those who are approved for benefits spend an average of 6 hours in application-related activities.

Applicants and potential applicants incur an average of $10.40 in out-of-pocket expenses. Approximately $7.40 of this is spent visiting the food stamp office one or more times during the course of the application process. The costs of these visits result primarily from transportation costs and foregone wages. Another $3 is spent obtaining the documents necessary to verify the household's circumstances.

Some applicants spend considerably more time and money than the average during the process. Approximately 5 percent of all applicants and potential applicants said they incurred $50 or more in out-of-pocket expenses and foregone wages and spent 12 or more hours in the process.

The report also concluded that the potential changes that seem most likely to have the greatest effect are within the scope of State and local policies—they do not require changes in Federal acts or regulations. However, they may result in increased costs to the States in administering the programs. Useful changes involve reducing the number of office visits required, reducing waiting time, cutting applicant's out-of-pocket expenses, and providing more information and assistance to applicants.

The evaluators found that local practices, in particular, can inhibit or encourage applicants to complete the application process. For example, in four of the five study sites, applicants are encouraged to visit the office to obtain information about the program. In the remaining office, which is small and rural, workers consider it unfair to ask potential applicants to visit the office. Staff encourage people to call for information and most do so. In two of the offices, applicants are screened for gross eligibility either when they request an application or file it. That way, most potential applicants who are obviously ineligible can choose not to proceed with the application process.

Systems and Client Services Barriers

In its initial efforts to identify problematic policies, the Committee found that the barriers could be grouped into two categories: systems and client services barriers.

Systems barriers primarily affect the administration of the programs, and only affect clients indirectly. Most of these barriers are general in nature and apply to more than one or all of the programs, but some are program specific. Many are inherent to the current public assistance "system" because they stem from the different statutes that created the programs and the administrative structures that evolved from them. The varied objectives of each program result in differing policies and procedures that block coordination of services.

Client services barriers are those that are mainly operational in nature. Some may be unique to a particular program, while others apply to several programs. Client services barriers affect clients by directly hindering access to the programs.

The barriers discussed below do not necessarily fall neatly into the two categories of "systems" and "client services" barriers. There is much overlap from one category to another. For example, depending on the problem, application forms can present both systems and client services barriers. The fact that some States do not have common application forms, but have different forms for each program, is a systems barrier. Lengthy forms that are difficult to read present barriers to client services.

Systems Barriers

Conflicting laws.
Each of the four programs was created in a good-faith effort to provide needed assistance to a specific population. Instead of being grounded in an effort to deal holistically and comprehensively with the basic needs of economically disadvantaged families, the programs were born out of specific goals for distinct, albeit overlapping, populations.

Amendments to authorizing legislation have resulted in a patchwork approach to problems that have surfaced within each program and to new social problems, such as the increase in homeless individuals and families. The amendments have created differences in legislation and regulatory policy and caused additional conflicts.

For example, in 1981 Congress mandated monthly reporting and retrospective budgeting (MRRB) for both the Food Stamp and AFDC Programs. However, different requirements were enacted for both programs despite efforts by both USDA and HHS to promote compatible requirements. In subsequent legislation, Congress amended the Food Stamp Act to allow waivers to conform food stamp MRRB systems to the AFDC systems. Later legislation gave State agencies even more flexibility in budgeting food stamp cases than is provided for in the AFDC program. Now States must seek waivers from HHS to retrospectively budget households the same way under food stamps.

Oversight by numerous congressional committees.
As a result of their unique histories and missions, each of the four programs grew from separate committees in Congress and consequently were channeled to different administering agencies. **Nine full committees[1] and 15 subcommittees exercise primary authorization, appropriations, and oversight responsibilities for the four programs examined by the Committee.** (See appendix F for a complete listing of the committees and related subcommittees.)

The nine full committees include the House and Senate Appropriations Committees, which generate funding for all four programs, and seven separate committees that deal primarily with just one program. Only two committees, other than the Appropriations Committees, oversee more than one program; the Senate Finance Committee and the House Ways and Means Committee both deal with AFDC **and** Medicaid issues.

With 15 separate subcommittees, each committee has one or more subcommittees that address different aspects of the programs. The House and Senate Appropriations Committees have a total of six subcommittees that provide funding to these four programs. Of the six, only two subcommittees provide funding to more than one program (both handle the AFDC and Medicaid programs). An additional nine subcommittees oversee the administration of the four programs. Of these nine subcommittees, only one addresses the issues of more than one program; the Senate Finance Committee's Subcommittee on Social Security and Family Policy addresses both AFDC and Medicaid issues.

Additional committees may not have primary oversight over the four programs, but may exercise oversight responsibility over targeted constituencies that seek assistance from these programs, i.e., veterans, Native Americans, the elderly, etc. Occasionally, they will forward legislation addressing the impact of assistance programs on their targeted groups. This overlap worsens the problem of conflicts and duplication.

Programmatic oversight by this number of committees has contributed to the complexity, duplication, and lack of coordination. Most often these committees and subcommittees work

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1. National Commission for Employment Policy, *Coordinating Federal Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials*, (Special Report No. 31), October 1991, p. 9 and Table II.

EXHIBIT 16

PROGRAM	DEPARTMENT/ AGENCY	SENATE COMMITTEE*	HOUSE COMMITTEE*
AFDC	HHS/ADMINISTRATION FOR CHILDREN AND FAMILIES	FINANCE	WAYS AND MEANS
FOOD STAMP	USDA/FOOD AND NUTRITION SERVICE	AGRICULTURE, NUTRITION, AND FORESTRY	AGRICULTURE
MEDICAID	HHS/HEALTH CARE FINANCING ADMINISTRATION	FINANCE	ENERGY AND COMMERCE WAYS AND MEANS
HOUSING ASSISTANCE	HUD/OFFICE OF PUBLIC AND INDIAN HOUSING	BANKING, HOUSING, AND URBAN AFFAIRS	BANKING, FINANCE, AND URBAN AFFAIRS

"...needed services may not be available from the program an individual randomly enters. Often, individuals are limited to the services offered by the agency selected, even if what they need the most is offered by a different agency across town, even down the street."

— *Shaping Tomorrow's Workforce: A Leadership Agenda for the 90's* National Alliance of Business, 1988

independently and may not realize the effect their legislation will have on the other programs.

In an oversight system that represents so many varying interests at the same time, legislation often reflects "popular" demands by the committees' constituencies, leaving Federal agencies to implement disjointed and sometimes conflicting statutes. Public sentiment has spurred the Congress to enact legislation over the years to adapt to changing circumstances, often resulting in program modifications that have left the programs with increasingly distinct personalities.

Exhibit 16 shows the congressional committees responsible for each of the four programs addressed in this report.

Multiple agencies at the Federal, State, and local level administering programs that serve similar populations.

Jurisdiction over the four programs is split among four Federal agencies within three Departments. Exhibit 16 shows the departments and agencies that administer the four programs. These agencies have administrators with different philosophies and management styles.

Fragmented administration of programs occurs in some States and local jurisdictions. Administration of the public assistance network is divvied up between a number of State departments, frequently competing with each other for limited resources. The lack of conformity is not surprising, given the division of programs and the isolation in which they are administered.

Further diversity surrounds the way the four major assistance programs are funded. Funding for each program is affected by various factors. Income and nutrition programs (AFDC and food stamps) are entitlement programs, where funding is affected by changes in the number of persons eligible and the benefit amounts for which they qualify. Housing assistance, on the other hand, has never been provided as an entitlement to all households that qualify for aid. Its funding is based on the amount authorized by Congress.

"If a social worker has a hard time, you can only imagine what a person who is poor and suffering burdens has to do to negotiate this complicated system."

— Representative
Barbara B. Kennelly, CT
Hearing before the
Select Committee on Hunger
U.S. House of Representatives
April 23, 1991

While the benefits paid to AFDC and Medicaid recipients are shared by Federal and State Governments, food stamps and housing benefits are exclusively Federal.

Lack of flexibility at the State and local levels.

Federal laws and regulations, and the need for accountability, inhibit flexibility at both the State and local levels. This lack of flexibility, in some cases, is the result of efforts to eliminate disparity in benefits among States and establish national uniformity. In addition, there is a lack of consistency in granting waiver authority across the programs. Some programs offer virtually no option for waivers while other programs allow much more flexibility. For example, the Food Stamp Program grants States administrative waivers of the regulations, and has a separate demonstration authority, while under the AFDC Program, the only allowable waivers function more as demonstration projects, and require a rigorous evaluation. With housing assistance programs, waivers are usually part of a legislatively mandated demonstration program. This creates a difficult situation at the State and local level where a waiver to ease an administrative burden may be granted for one program but cannot be consistently applied to other programs.

Different rules and policies on determining eligibility.

Program policies differ in regard to all aspects of the application and certification processes and case maintenance. Each program has its own rules on processing timeframes, verification standards, notice requirements, sanctions against households, and the counting of income and resources.

It is confusing to applicants (and caseworkers) when they are first confronted with these differing policies. The area of **assets** is especially baffling. The AFDC Program allows a family to possess assets of up to $1,000, whereas the Food Stamp Program sets its maximum resource limit at $2,000 per household ($3,000 for households with an elderly member). The Medicaid Program allows individuals and couples assets up to a value of $2,000 and $3,000, respectively, while housing assistance programs only count assets over $5,000.

The different **treatment of vehicles** is also vexing to applicants and caseworkers. AFDC excludes vehicles used as a home or needed to produce income. For other vehicles, the first $1,500 of **equity** value is excluded, but the remaining equity value is counted as an available resource. Food stamps will exclude a vehicle if it is used as a home, to produce income, is necessary for employment, or is used to transport a disabled household member. For all other vehicles, the first $4,500 of the **fair market** value is excluded, but the remaining fair market value is counted. If the **equity** value of any vehicle (other than the household's only vehicle and any used for employment or training) is greater than the **fair market** value in excess of $4,500, the **equity** value is counted towards the resource limit. Medicaid and housing assistance programs do not count vehicles when determining the value of resources.

The **income eligibility** standard varies from program to program as well. The Food Stamp Program relies on the relationship of a household's total income to the Federal poverty level as a guideline to determine the need for assistance. In the AFDC program, the need for assistance is based on the relationship of a family's income to the State's need standard (which, in most States, is not tied to the poverty level). Housing programs rely on area-specific median income and family composition as a guideline to determine need, while Medicaid bases its income limits on the maximum State AFDC payment made to a family of the same size.

A **lack of uniform definitions** among the programs leads to further confusion for both the caseworker and the client. For example, each program differs in how it defines the assistance unit. For instance, the Food Stamp Program defines its beneficiary unit—the food stamp household—as individ-

"We tend to deliver narrowly-defined services to narrowly-defined populations. Service providers dealing with the same families rarely collaborate across programs, often because administrative procedures, incentives and sanctions prevent or discourage them from doing so."

— Cheryl D. Hayes
Executive Director
National Commission on Children
Testimony before the
House Agriculture Subcommittee
on Domestic Marketing
Consumer Relations and Nutrition
June 23, 1992

uals living together and purchasing food and preparing meals together. Individuals who are members of the same household must apply together, and the income, expenses, and assets of all members are aggregated in determining the household's eligibility and benefit allotment. On the other hand, the AFDC "assistance unit" is defined as being made up of at least one dependent child, the child's parents and siblings (by blood or adoption), and possibly other caretaker relatives living with the child and/or family. It is important to note that the concepts of "assistance unit" and "household" for the AFDC and Food Stamp Programs, respectively, have been controversial and have generated a great deal of litigious and legislative activity. This concept of an assistance unit impacts significantly on determinations of eligibility and benefit levels, including the treatment of income, resources, and nonfinancial eligibility criteria.

Chapter III contains a matrix entitled, "Overview of Entitlement Programs", that reveals the extent to which the core requirements of each of the four programs differ in eligibility requirements alone.

Different work requirements.

Eligibility criteria illustrate only one area where program disparities exist. Another can be found in the separate employment and training requirements among the programs.

Although both the Food Stamp E&T Program and AFDC's JOBS Program offer educational and training activities for individuals receiving assistance, several clear differences exist. Perhaps the most conspicuous disparity between the two programs is the amount of funding allocated to each program. Food Stamp E&T is authorized at $75 million annually, while the JOBS Program is authorized at up to $1 billion a year in fiscal year 1993, and slightly higher in fiscal years 1994 and 1995. The magnitude of this disparity in funding impacts participants significantly. For instance, while both programs provide participants with payments for transportation and other work-related expenses, a Food Stamp E&T client receives a maximum of $25 per month. In contrast, each State sets the monthly limits for transportation and other work-related expenses it will provide to enable that individual to participate in the JOBS Program. States must guarantee child care for JOBS participants and, under certain circumstances, offer transitional child care for up to 12 months after the family leaves public assistance due to employment. Food Stamp E&T, on the other hand, limits dependent care for its participants to $160 per month per dependent and offers no transitional support.

Neither Medicaid nor the housing assistance programs have work requirements.

Programs divide the problems of families into rigid and distinct categories that "fail to reflect their interrelated causes and solutions."[2]

Each program has specific purposes and requirements that treat each need separately from the family's other problems and needs. There is no integrated approach to meeting the needs and solving the problems of the family as a whole. Case management and the one-stop service concept attempt to do this, but neither is universally applied and may not address all the needs/problems of the individual or family.

Lack of available resources.

Budget restrictions often result in limited "front-end" investment funding for administrative improvements and a lack of resources for preventative services.

Lack of resources can also translate into higher caseloads because of staff

2. A.I. Melaville and M.J. Blank, *What It Takes: Structuring Interagency Partnerships to Connect Children and Families with Comprehensive Services,* (Washington, DC: Education and Human Services Consortium, January 1989).

"Out of all the numerous and heavy responsibilities which bear upon state and local social services agencies, Federal error rate sanctions are their predominant concern... The environment which has been created by these sanctions is a serious impediment to poor and low income persons who attempt to access benefits."

— Sarah Shuptrine
Testimony before the
House Agriculture Subcommittee
on Domestic Marketing
Consumer Relations and Nutrition
June 23, 1992

shortages. High caseloads frustrate workers and clients alike and depersonalize relations.

Lack of affordable housing is among the most serious problems facing the poor. While the number of low-rent housing units exceeded the number of low-income renters by 400,000 in 1970, there were 4.1 million fewer low-rent units than low-income renters by 1989.[3]

Limited ability to make effective demonstration projects permanent.

States are often unable to make effective demonstration projects permanent and/or adopt successful systems tested in other States. The demonstration or waiver process "system" lacks a formal mechanism for ensuring that successful demonstrations can be continued on a permanent basis or that other States have the option of adopting these new systems. Currently, States may pursue the legislative changes or regulatory waivers needed to continue the demonstration on a permanent basis, but pursuing these avenues takes a great deal of time. The current system does not allow for an extension of demonstrations while States are trying to obtain the necessary changes. This forces States to revert to regular rules that may not be as desirable or effective as those under the demonstration.

Federal approval of demonstration proposals can be a very discouraging experience. First, the amount of documentation required to support most proposals may be staggering to the State. Volumes may be needed to substantiate cost-neutrality and describe all the policy changes, computer systems modifications, and the specifics of the evaluation.

Secondly, the approval process can be extremely lengthy. Most demonstrations involve several different Federal programs and approval must be sought from each. Some demonstrations require legislative authority. In these cases, additional time is needed to obtain the statutory changes. **The planning and approval process can take several years**. The Committee is pleased by recent efforts on the part of the Executive Branch to reduce the length of time it takes to approve demonstrations. In 1992 some State proposals were approved within as little as 30 days.

Lack of long-term longitudinal evaluations across programs.

Very little work has been done on long-term longitudinal studies of clients to determine the effects of program participation, in single and in multiple programs.

Lack of long-term outcome accountability.

The Federal emphasis in program administration is generally on regulatory compliance, not the success of the program in promoting self-sufficiency for clients. The programs are largely evaluated using process measures (i.e., number of persons served), not outcome measures (i.e., increased self-sufficiency). This lack of outcome accountability has been a source of criticism.

The current quality control (QC) system, as used by the AFDC, Medicaid, and Food Stamp Programs, serves as a primary accountability tool for these programs. This system is viewed by some as a major contributor to the complexity of the application process and to the high rate of procedural denials. In her testimony before the House Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, Sarah C. Shruptine, of Sarah Shruptine and Associates, spoke of the pervasive impact of Federal QC error rates on States. "Out of all the numerous and heavy responsibilities which bear upon state and local social services agencies, Federal error rate sanctions are their predominant concern....The environment which has been created by these sanctions is a

3. Paul A. Leonard and Edward B. Lazere, *A Place to Call Home*, (Washington, DC: Center on Budget and Policy Priorities, 1992), p. 17.

serious impediment to poor and low income persons who attempt to access benefits."[4]

As a result of the QC System, eligibility workers are often reputed to become fraud investigators to weed out "would be" cheaters instead of focusing upon their intended role of helping the poor.

Poor public image of public assistance programs.

Public assistance programs are often the target of criticism. Using tax dollars to support nonworking individuals is often an unpopular notion. Further, the programs are frequently criticized for the widely held belief that they are rampant with fraud and abuse. Such perceptions, whether valid or not, often impede the ability of the programs to receive adequate funding from legislative bodies.

A recent poll illustrates that most Americans wish to help the needy, but many perceive "welfare" as a haven for "lazy cheats." In May 1992, *New York Times*/CBS News conducted a poll on the appropriateness of the current level of "assistance to the poor." Two thirds of the public said it was "too little." When the question was reworded, using "welfare" instead of "assistance to the poor," only 23 percent said the Nation was spending too little.[5]

Turf protection by program constituencies and special interest groups guides the direction of the programs.

Collaboration has been referred to as "an unnatural act between unconsenting adults."[6] A change in outlook must prevail at the Federal, State, and local levels. Turf protection must give way to a focus on the client and how to serve the client better.

Lack of functional communication among public and private agencies.

This often leads to a waste of resources due to overlapping services or clients "falling through the cracks."

Insufficient use of automation.

Many States fail to realize the full potential of automation for program integration. Some States blame a slow and cumbersome Federal approval process for the lack of automated systems. Insufficient funding can also be a reason.

Theoretically, a case manager should be able to access a computer system that can provide information on the availability of a wide range of services and put together a comprehensive plan. Travel agents are able to arrange itineraries for travelers that include flights, car rentals, and hotel reservations. The same kind of system should be possible in the social service field.

Different application forms.

Separate forms for each program serve to confuse and frustrate clients and bog down the bureaucracies in mountains of paperwork. Most, but not all, State agencies have developed multiprogram forms. Although multiprogram application forms may reduce the total amount of paperwork by combining several forms and eliminating duplicative information, these forms tend to be lengthy and can be intimidating to applicants. The issue of lengthy forms is addressed in more detail under Client Services Barriers.

FNS conducted a review of food stamp application forms being used as of March 1989. Sixty-eight State-designed application forms were received from 53 State agencies and 2 local agencies. Fifty-one of the forms were multiprogram applications, of which 5

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4. Sarah C. Shruptine, Testimony in support of H.R. 4046 before the House Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, June 23, 1992, p. 4.
5. *New York Times*, July 5, 1992, p. 16
6. Sar Levitan, G. Mangum, and M. Pines, *A Proper Inheritance* (Washington, DC: George Washington University, 1989).

> *"The system stigmatizes the children as well as the adults."*
>
> — Senator Daniel Patrick Moynihan
> *Congressional Record*
> April 21, 1988

were specialty forms (e.g., bilingual and recertification forms). At the time of the study, seven State agencies had not developed multiprogram application forms. Nevertheless, these multiprogram forms do not cover all needs-based programs. FNS' study found the number of programs covered by these forms ranged from three to nine.

Excessive paperwork.
Caseworkers are burdened by enormous amounts of paperwork. Some of this paperwork is initiated by the State and/or local agency to meet internal needs, but more often it is a result of verification and reporting requirements set at the Federal level. The more time the worker devotes to paperwork the less is available for interaction with clients.

Confidentiality restrictions prevent the sharing of information among programs and agencies.
The sharing of certain client information to determine eligibility and benefits is currently allowed under Federal regulations affecting most needs-based programs. In some States, mechanisms have been developed by many States to facilitate this sharing among programs, especially the AFDC, Medicaid, and Food Stamp Programs. In most cases, this precludes the need to obtain waiver forms from households. Nevertheless, the sharing of client information is not practiced to the greatest extent among Federal programs. This results in the need for the client to complete a separate application form for each program (unless joint processing is used)—all requiring similar information.

Federal regulations on the sharing of confidential information do not apply to State and local programs. Consequently, an individual applying for food stamps and general assistance would be required to fill out two applications containing virtually the same information.

Failure to share client information also wastes time and resources also makes verification of information more cumbersome. Each program must take the time to verify the same information. If more information could be shared, verification could be waived by the other programs. For example, a household applying for food stamps, Medicaid, and housing assistance would have family members' Social Security numbers verified by just one program. This would be shared with the other programs and they would presume verification for their own purposes.

Client Services Barriers

Regulations and eligibility requirements are too complex.
Clients often become confused and frustrated in their attempts to navigate through the maze of rules and red tape. Caseworkers are equally frustrated by the mass of regulations they are required to follow. Much of the complexity is derived from attempts to address every situation to minimize opportunities for abuse, to target needs of specific subpopulations, etc.

Stigma and myths attached to being on public assistance.
Many people, especially the elderly, view the acceptance of any form of public assistance as humiliating and dishonorable. They would prefer to suffer the hardships of poverty and homelessness than to accept what they consider to be charity. They view all programs equally, even entitlement programs, and reject any benefits to which they are entitled.

Media coverage about "welfare queens" and other welfare cheats further deteriorates public confidence in programs and may inhibit needy people from applying for assistance.

Inadequate staff.
Levels of service vary from place to place and tend to shrink with downturns in the economy. State and local governments continue to face fiscal constraints. As budgets are tightened, hiring freezes and layoffs have become

"Applying for welfare is 'an emotional and psychological strip-tease.' "

—Disabled recipient in Boston
Final Report of Findings of Focus Group Research Conducted on Behalf of the National Association of Neighborhoods
Prism Corp., Fall 1986

necessary. Many programs are understaffed and administrators are unable to alleviate the problem. This problem was compounded as caseloads have grown during the economic recession.

The ratio of cases to workers can be several hundred to one. Reports of caseloads in Mississippi and West Virginia range as high as 700 and 500 cases per worker, respectively.

Often a high case-to-worker ratio means a State or local agency is under stress and client services are at risk. However, this may not always be the case as State and local agencies adapt to the increasing caseloads. Some of the factors that affect whether a caseload is manageable are: 1) the degree of automation (i.e., highly automated States can handle higher caseloads without undue stress); 2) the use of generic workers; 3) the use of case management; and 4) the extent to which functions are separated (e.g., intake workers that handle only applications).

Nevertheless, most States suffer from a staff shortage. This lack of staff to assist with the application process, advise clients, and help people eliminate obstacles to independence slows progress. The feelings of frustration that develop in dealing with an excessive caseload may affect staff's attitudes to the point of negatively impacting how they deal with clients.

Long waiting times for appointments or services.
This problem is often related to a shortage of staff. Clients become frustrated and may give up and withdraw their applications. According to the Food Stamp Application Process Study, applicants and potential applicants spend, on average, about 5 hours performing application activities. Approximately 2 hours of this time are spent filling out the application, meeting with food stamp office workers, and obtaining required documents. The other 3 hours are spent in transit to the office and waiting to meet with office staff. Some applicants (5 percent) reported that they waited 6 hours or more. The further an applicant gets in the process, the more time it takes. Those who are approved for benefits spend an average of 6 hours in total, while 5 percent of the sample reported spending 12 hours or more on required activities.

In the housing assistance program, even after the lengthy application process, eligible applicants in large urban areas may have to wait 4 to 6 years to receive housing assistance. In some cities, the waiting list is so long that the housing authority has actually closed the waiting list and ceased taking applications.

Comprehension and communication problems.
In some cases, lack of clear information or misinformation can create problems. For instance, a client may not understand what information she must provide as verification. Some clients may not understand the jargon used by the caseworker and may misinterpret what the caseworker is asking. For example, the client may not realize that his definition of income is different than the caseworker's definition of income. Language barriers present special problems for non-English-speaking individuals if interpreters are not available or forms are not available in the appropriate languages.

Unintelligible and lengthy forms.
The length and complexity of application forms intimidate many people, especially those with a low literacy level. Forms are often written at levels far beyond the literacy level of most clients. In addition, small type, multiple print styles, and inappropriate print color and background create a maze of confusion for older persons.

Some application forms are exceedingly long. The length of a form is driven by the information required for the eligibility determination. Multiprogram forms tend to be lengthy due to the need to collect information that is unique to each program, in addition to the information shared by programs. A

"To expect a single community worker to master the whole array of available resources that relate to potential youth needs may seem overwhelming. However, to expect a youth-in-crisis or his/her often stressed parents to negotiate unassisted, the maze of agencies, programs and eligibility rules in order to get the help they need is, truly, to ask the impossible."

— *Annie E. Casey Foundation's New Futures Initiatives: Strategic Planning Guide*
Center for the Study of Social Policy
July 1987

study by USDA's FNS of multiprogram forms in use as of March 1989 found a range of 3 to 44 pages, with a mean length of 20 pages. Of the 48 forms reviewed, 17 percent of the forms were 1 to 10 pages in length; 44 percent of the forms were 11 to 20 pages long; 15 percent were 21 to 30 pages long; and 25 percent were 30 pages or more. At best they are simply burdensome to the applicant, but in some cases they are so intimidating that the applicant gives up and does not apply.

Verification needed may be difficult or impossible to obtain.

Certain verification, such as birth certificates, may take considerable time to obtain. This postpones the certification of the household and delays the receipt of benefits. In some cases, the client may be required to pay a fee to obtain the verification. This cost may be prohibitive and could prevent the household from being certified for benefits. The Food Stamp Application Process Study found a mean cost of documentation of $3. This figure was calculated using the cost of travel to find documents, fees for their duplication, and charges for the document themselves. For many clients (60 percent), the cost was zero, but others spent as much as $28.

Often the list of verification items is overwhelming to the client. They may become frustrated and not pursue the application. Also, the need for verification may be unclear. The items for the Food Stamp and AFDC Programs are often merged in one list, and a client may not understand that verification of school attendance is needed for AFDC but not for food stamps. Finally, some clients may not want to obtain the verification for fear of exposing their financial situation to landlords, employers, schools, doctors, etc. Often these sources, especially landlords and employers, view requests for verification as a waste of their time and are reluctant to provide it. Clients are put in the position of either angering their employers or landlords by asking for the verification or not obtaining it. Clients often choose the latter to avoid a conflict and as a result are denied eligibility.

Public lacks knowledge about program requirements and application process.

Often an individual may incorrectly assume that he or she is not eligible and will not apply for benefits. The Food Stamp Application Process Study found that 45 percent of those persons who did not complete the application process abandoned it because they perceived themselves as ineligible. In a time of dramatically rising caseloads (the Food Stamp Program caseload has risen 42.5 percent from July 1989 through December 1992) administrators have put few resources into outreach efforts that might encourage even greater program participation.

Because of the size of most waiting lists for assisted housing around the country, housing authorities very seldom do outreach for program participation. Outreach, when done, is usually in small cities or associated with a special self-sufficiency type program that includes a new allocation of housing assistance for the housing authority.

Absence of a single site where an individual can apply for all programs.

Although AFDC and food stamps are often located together, applicants must still travel to more than one office if they have other needs. Applicants may become frustrated at having to travel from office to office and may give up. Many applicants lack transportation or resources (i.e., cabfare or busfare) to make these trips. This is particularly problematic for the elderly and disabled who have physical limitations as well.

Inconvenient office hours.

Local agencies may fail to keep office hours that are convenient to clients, especially the working poor, i.e., early morning, evening, or weekend hours.

Transportation problems and the lack of assistance to homebound individuals.
The poor are the least able to afford a car or have money for public transportation. The Food Stamp Application Process Study found that 64 percent of the respondents did not travel to the food stamp office in their own car, but found some other means (e.g., were driven, borrowed a car, took a bus, walked, etc.).

Trips to the certification and issuance offices are often costly and time-consuming. The above study found that 84 percent of the sample reported 1 or 2 in-person visits, and another 10 percent reported 3 or more visits. The mean cost per visit was $4.56. This cost included transportation, child care, and forgone wages. However, 5 percent of the population paid as much as $27 per visit (up to $20 for transportation alone). For the elderly and disabled poor these trips may be impossible.

Critical Need for Change

The barriers discussed above adversely affect everyone in the public assistance system—program administrators, caseworkers, and clients. Changes to the current system must be made, and must be made now, to reverse the trend toward an even more complex, confusing, and overloaded system to one that is simpler and more responsive. This Committee has explored ways to coordinate and simplify the public assistance system to meet this end. These recommendations are discussed in detail in the following chapter. ■

"I have been told by the welfare office that I would be better off not working than I would trying to get a job because they would cut my medical benefits off after four months. I have a son who had open heart surgery, and he has to go to doctors at least once a year. They told me I'd be better off not even trying to find a job."

— Parent, Charleston, WV
Beyond Rhetoric

Chapter VIII

Recommendations and their Effects

The task of realigning the social welfare system with the needs of modern America will require efforts in the public and private sectors, a variety of methods, and many years. Most of all, it will require a realistic new consensus about our responsibility to each other, now and in the future—a vision of where we are and where we want to go as a society.

—"The Common Good" [1]

The Committee shares the view of many previous work groups that the Nation's current public assistance system desperately needs to be overhauled. It is a costly conglomeration of programs with separate goals and inconsistent policies and rules which are so complex, that it is too much to expect either caseworkers or clients to understand them.

Principles

In developing its recommendations, the Committee held to certain principles which are listed below. We hope the principles identified by this Committee will guide Congress and the Administration in developing a restructured system that works for all.

1. **Treat Persons with Dignity and Respect.**
2. **Strengthen Families.**
   Keep families together. Both parents should assume responsibility for children.
3. **Direct Programs to Address the Entire Spectrum of a Family's Needs, Not Just the Discrete Needs of Individuals.**
   A single case manager should work with each client/family.
4. **Promote Individual Responsibility.**
   Clients should be actively involved in helping themselves.
5. **Empower Persons to Move Off Assistance and Toward Independence.**
   Reduce dependency for individuals and families to the greatest degree possible.
6. **Make Work More Rewarding Than Assistance.**
   It should be more profitable to work than to receive aid.
7. **Allow Flexibility In Programs to Accommodate State, Local, and Individual Differences.**
8. **Focus Success Measures On Persons, Not On Processes.**
   The evaluation should be based on how well persons succeed in moving toward self-sufficiency, not just on how the system succeeds mechanically.
9. **Use Public Funds Efficiently.**
   Consider future cost avoidance in determining program costs. Eliminate duplicative activities.
10. **Build Partnerships with the Private Sector.**
    Encourage churches, community organizations, nonprofit groups, and the business community to join forces with the Government in meeting local human service needs.

Recommendations

The current system of delivering assistance to the needy of this Nation is in a state of crisis. Through the years, the programs have relied on stopgap measures in an attempt to deal with problems as they developed, with little consideration of the effects these changes would have on other programs. This tinkering has compounded coordination and simplification problems. Further tinkering with the programs is no longer a viable option. Dramatic, long-term measures are needed to move public assistance to a state where the poor are provided the assistance they need on their path toward self-sufficiency.

1. Project on Social Welfare and the American Future, *The Common Good: Social Welfare and the American Future, Policy Recommendations,* (New York: Ford Foundation, 1989).

"Looking back on the zigzag course of school reform over the past decade, it's easy to lament the fact that the country wasted all that time and effort tinkering with a system that we now know needs a major overhaul. Perhaps if the authors of "A Nation at Risk" [the National Commission on Excellence in Education, April 26, 1983] been bolder and called for fundamental structural changes, we could have taken a shortcut to systemic reform."

—Edward B. Fiske, on public education reform
The Washington Post
April 25, 1993

One Comprehensive Program

After careful consideration of testimony, previous research and much deliberation in this area, the Committee has come to the conclusion that the current "system" of separate programs should be scrapped. The primary recommendation of the Committee is to **replace the numerous programs that currently serve the needy, with one family-focused, client-oriented, comprehensive program.** The program would be administered by one agency at the Federal and State levels and legislation would evolve from a single committee in each Chamber of Congress.

The three **key criteria** for the program would be: 1) simplicity of design; 2) service tailored to need—three broad, time-based categories of assistance (short-term, extended, and long-term) with a single case manager for each family; and 3) benefits contingent upon progress in moving toward self-sufficiency.

This program would provide a consistent, coordinated, and simplified approach to meeting the interrelated needs of low- income individuals and families while they are working toward self-sufficiency. Service would be tailored to the needs of the clients. Some clients have work skills and only require **short-term assistance** as they overcome temporary or minor hurdles to self-sufficiency, such as recent unemployment. Others may need extended assistance to help them conquer more serious barriers (e.g., illiteracy) or multiple barriers to self-sufficiency. Finally, some clients require **long-term assistance** and may never be completely self-supporting because of mental and/or physical disabilities.

Clients and their case manager would develop a self-sufficiency plan designed to match the needs of each family member, and the family as a whole, to appropriate services. They would be able to choose from a myriad of services under the umbrella of the one comprehensive program. Each plan would have definable goals to achieve self-sufficiency and a timetable for completion. Progress toward meeting the goals of the plan would be required for continuation in the program.

Eligibility determinations, assessment, self-sufficiency plan development, and determinations of progress toward the goal would be handled by one agency at the State or county level. However, actual service delivery might be provided by separate agencies and organizations through interagency agreements and public/private partnerships.

Other integral elements of the program that distinguish it from the current "system" would include:

- a single point of entry with one application form;
- common definitions and rules on income, deductions, resources, and nonfinancial eligibility criteria;
- a single eligibility standard (means test) for determining eligibility; and
- partnerships between public and private sector programs to provide coordinated services.

In proposing this comprehensive program, many questions arise that cannot be answered here. The Committee did not have sufficient time or resources to develop a detailed blueprint of the comprehensive program it envisions. Therefore, the task of designing the comprehensive program must fall to Congress and the Federal agencies. One option for fulfilling this task is to charge the White House Domestic Policy Council and the Office of Technology Assessment (OTA) with designing the program. As the principal coordinator of the Clinton Administration's welfare reform effort, the Domestic Policy Council is a logical choice. The Working Group on Welfare Reform, Family Support, and Independence, which was recently appointed, might be the appropriate body to take on this task for the Domestic Policy Council. The working group is expected to provide a report with recommendations for comprehensive welfare reform to the Domestic

Policy Council in the Fall of 1993. The OTA would review the plan developed by the Domestic Policy Council and make appropriate recommendations to Congress. **Whatever group is charged by Congress or the Administration with designing the comprehensive program, the Committee feels strongly that the design concepts must reflect the principles and recommendations contained in this report.**

Some of the issues that require further examination are outlined below:

- Are the existing programs meeting the needs of those requiring assistance? If not, then by what measures are they failing to do so? How can these failures be avoided under the comprehensive program?
- If programs are consolidated, which programs should be included and how would this be done? Seventy-five Federal programs provide numerous benefits for the economically disadvantaged.[2]
- Who would be served by the new consolidated program? Many existing programs that serve the economically disadvantaged have targeted constituencies (i.e., children, the elderly, veterans, the disabled). Others benefit the economically disadvantaged in general.
- What form would benefits take (e.g., cash only, vendor- paid subsidies, or both)? Would programs like food stamps and the Special Supplemental Food Program for Women, Infants, and Children be "cashed out"?
- Who would be responsible for oversight and funding at the congressional and Executive Branch levels?
- How would current clients be transitioned into the new program? Would there be a national benefit floor so clients in some States would not be unduly hurt by the loss of the income stabilizing effect of food stamps in relation to AFDC payments?

A comprehensive program addressing a multitude of human needs would be simpler to administer than the many programs that currently exist. Common definitions, eligibility requirements, and benefit payments add to the desirability of a comprehensive program. Eliminating duplicative bureaucracies will reduce administrative costs, saving money that can be used for client services. If Congress and the Executive Branch seriously wish to bring simplicity and coordination to the public assistance network, the Committee believes this recommendation is inescapable.

This recommendation has been made before by other organizations. A single operating agency has been recommended by **the National Commission on Employment Policy (NCEP)**[3] for all Federal work programs. Many other groups have recommended changes in the organization, administration, implementation, and budget of programs to encourage a more collaborative and comprehensive service delivery system. These groups include the **National Commission on Children (NCC)**[4] and **the Low Income Opportunity Working Group**[5]**.** In addition, **the General Accounting Office (GAO)**, in its survey of 49 States, found that a majority of States recommend the consolidation of agencies (44 States) and programs (45 States) as essential for service integration.[6] Thirty-nine States recommend improved coordination between Departments, while 37 States recommend improve coordination between programs.[7]

The consolidation of congressional

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2. National Commission for Employment Policy, *Coordinating Federal Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials,* (Washington, DC: National Commission for Employment Policy, October 1991), p. 3.
3. Ibid., p. viii.
4. National Commission on Children, *Beyond Rhetoric: A New American Agenda for Children and Families,* (Washington, DC: National Commission on Children, 1991), p. xxxiii.
5. Domestic Policy Council, Low Income Opportunity Working Group, *Up From Dependency: A New National Public Assistance Strategy,* (Washington, DC: U.S. Government Printing Office, December 1986), p. 18.
6. U.S. General Accounting Office, Report No. HRD-87-110FS, *Welfare Simplification: State's Views on Coordinating Services for Low-Income Families.* (Washington, DC: July 1987), p. 42.
7. Ibid., p. 50.

oversight has been recommended by **NCEP**[8] and **NCC.**[9] **GAO's** survey of 49 States revealed that 26 States recommend the consolidation of legislative oversight committees as essential to service integration.[10] Thirty-five States also recommended that coordination between legislative committees should be improved.[11]

This Committee recognizes that there are tremendous political ramifications in effectuating such sweeping reforms of entrenched structures. Consequently, it is recommending less ambitious interim measures for immediate implementation with the hope that movement toward coordination of oversight at both the congressional and Executive Branch levels will diminish the problems generated by split jurisdictions.

Interim Recommendations

While work begins on the implementation the Committee's primary recommendation, many other steps can and should be taken to improve the current state of public assistance and provide immediate relief to program administrators and the needy. Some of these interim recommendations can be implemented without changes to Statute or regulations, particularly the formation of public/private partnerships and the expansion of demonstration authority by removing requirements for cost neutrality. Others require far-reaching changes by Congress and the Executive Branch and will require more time to achieve. Regardless of the time and effort needed to implement them, these interim solutions will provide much needed relief to the problems facing public assistance clients and administrators and will also prepare the way for the ultimate solution of a comprehensive program that will meet all the needs of low-income individuals and families.

Recommendation for Implementation

The Committee recommends that Congress review the interim recommendations below and take immediate action to implement those requiring legislative action. Once legislative action has been completed and for those recommendations that do not require legislative action, the Committee recommends that the President direct the White House Domestic Policy Council to take the lead in coordinating implementation among the various Federal departments and agencies. One key, centralized entity is needed to coordinate the implementation of these recommendations. As the principal coordinator of the Clinton Administration's welfare reform effort, the White House Domestic Policy Council is natural choice for coordinating the Committee's proposals for welfare simplification and coordination.

Financial Implications

A major effect of the confusing state of welfare programs is to keep program participation, and hence costs, under control. The financial impact of simplifying the assistance programs must be acknowledged and dealt with, and cannot be used as an excuse to avoid the type of meaningful simplification and reform suggested in this report. Reform should be undertaken even if it has to be done within the present budget constraints.

The discussion surrounding costs of meaningful reform should center on long-term gains rather than just upfront costs. The Committee feels that eventually its recommendations to simplify and reform the public assistance programs have the potential to reduce future costs of the programs as individuals and families become steady, long-term contributors to the Federal and State tax base.

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8. National Commission for Employment Policy, p. xi.
9. National Commission on Children, p. xxxiii.
10. U.S. General Accounting Office, p.42.
11. U.S. General Accounting Office, p. 50.

What are your frustrations with the welfare system?

"The waiting, the red tape, the lack of compassion. Having to show up in person even though you are disabled, and can not get a wheelchair because you have no medical insurance (that's why I am trying to get Medicaid). Not being able to reach your caseworker in a timely manner — then finding out that you have a new caseworker. Then you have to start over from scratch - and being sick and hungry in the meantime."

— A Public Assistance Recipient Kansas City, KS in response to a survey about welfare

In addition to reduced dependency, the simplification and consolidation of programs will reduce administrative costs due to paperwork reduction and other operational efficiencies that benefit administrators and clients alike.

The interim recommendations proposed below have been categorized as either **"Systems"** or **"Client Services."** These categories correspond to those used in chapter VII to differentiate between Systems and Client Services barriers.

Systems Recommendations

- ***1. Recommendation: Form a work group of the chairs of the relevant congressional committees to ensure that all legislative and oversight activities involving public assistance programs are coordinated.***

The chairs of the seven full committees that oversee income transfer programs along with the chairs of the House and Senate appropriations committees should form a working group to ensure that all legislative and other oversight activities involving public assistance programs are coordinated. This work group would focus on all food and nutrition, health and income security, job training, child care, and housing programs targeted at the economically disadvantaged. The working group should ensure that legislation is coordinated across program lines and that conflicting public assistance rules are passed by committees only when a requirement is unique to the main mission of only one of the programs (such as maintaining parental deprivation as a requirement of the AFDC Program).

- ***2. Recommendation: Ensure that all low-income Americans have access to quality health care.***

A critical factor in achieving independence lies in reform of the health care system.

People are trapped in the public assistance cycle by the fear of losing the medical benefits provided through Medicaid. The abrupt "cliff effect"—if you make one more dollar you lose all benefits—is sufficient incentive for people to stay on the assistance rolls. It takes a brave individual to expose himself/herself to the personal vulnerability of relinquishing health benefits for self and family. The 1-year transitional benefits provided by the AFDC program ease the move from welfare to work, but when the year is over, medical benefits end unless provided by the new employer. This forces many "success stories" back into assistance offices again.

Congress and the Administration should act swiftly to ensure that all low-income Americans have access to quality health care. A well designed health reform plan that does not place additional taxes on employment has the potential for removing this disincentive to finding and keeping employment.

- ***3. Recommendation: Establish uniform rules and definitions to be used by all needs-based programs in making their eligibility determinations.***

Recommendation 3a: Many of the differences among the programs stem from different definitions, especially in the areas of the unit of assistance or household composition, and countable income, allowable deductions, and resources. All four programs count the income of the assistance unit, but dif-

fer in (1) what is counted (and not counted) as income, (2) deductions that are allowed, and (3) the income level that triggers eligibility.

Each of the four programs bases eligibility on financial need. Individuals must have countable income at or below specified income limits to be eligible for Federal programs discussed here. However, income limits differ among the programs.[12] Further, the programs vary in basic definitions, and calculation of income. All the programs provide exclusions, disregards, or allowances from income, but each calculates these items differently. After the exclusions, deductions and allowances have been granted, an applicant's income is measured against a program's income ceiling. The ceiling differs for each program, as does the rate at which the ceiling increases and the time of year at which changes occur.

In addition to income eligibility criteria, each of the four programs has its own resource (or asset) limits. Each program defines what it counts as assets and how it counts them. Allowable resource limits vary among the Federal programs, among options within the same program, and sometimes among States. While complex rules determine countable resources for AFDC, Medicaid, and the Food Stamp Program, the resource guidelines for housing programs are minimal. Among the major differences in resource criteria are the treatment of automobiles and the value of life insurance policies and burial plots.

Many other areas of incompatibility exist among the programs, such as application processing, budgeting income, and reporting changes, which needlessly add complexity and confusion to the programs. These must be looked at and eliminated where possible.

Recommendations for the development of a common framework for streamlining eligibility requirements, standard definitions, and poverty measures, and the easing of administrative and documentation requirements were previously made by **the American Public Welfare Association (APWA),**[13] **NCEP,**[14] **NCC,**[15] **National Association of Counties (NACo),**[16] and **the National Eligibility Workers Association.**[17] In its survey of 49 States, **GAO** found that almost all States recommended uniform eligibility requirements (48) and uniform definitions and terminology (47) as essential to achieving service integration.[18]

Recommendation 3b: In addition to establishing uniform definitions, the Committee recommends that the AFDC and Food Stamp Programs be brought together by converting food stamp benefits to a flat amount, based on household size, for all AFDC families. This standardization of food stamp benefits would greatly simplify the administration of both Programs. It would eliminate excessive paperwork, as well as certain conflicting regulations between AFDC and the Food Stamp Program. The result would be a reduction in the tax dollars spent on administering the programs.

As Ellen E. Cantor, Director of Ohio's Lake County Department of Human Services, stated in her June 1992 testimony before the House Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, her "staff...estimated that by consolidating current differences in required verifications and acceptable documentation, as well as by moving income and resource tests into a closer alignment with each other, about 30 min-

12. These differences in eligibility requirements are highlighted in chapter III and appendix C.
13. American Public Welfare Association Task Force on Program Coordination, see appendix H for specific recommendations.
14. National Commission for Employment Policy, p. vii, xii.
15. National Commission on Children, p. xxxiii.
16. National Association of Counties, "The American County Platform and Resolutions", (Washington DC: 1992-1993), p. 106.
17. Virginia D. Giles-Mustain, member of the National Eligibility Workers Association Board of Directors. Testimony on H.R. 4046 before the House Committee on Agriculture, Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, June 23, 1992, p. 8.
18. U.S. General Accounting Office, p. 44.

What are your frustrations with the welfare system?

"The fact that a person who once worked and paid taxes for many years cannot get welfare because they own a car or a home. I don't feel that a person should be almost homeless before they can get help. Also, the forms are too much, a person would almost have to be able to write a book in order to do the paperwork."

— A Public Assistance Recipient
Kansas City, KS in response to a survey about welfare

utes per case could be saved. While 30 minutes may not seem like a lot, multiplying those time[s] savings by thousands of clients translates into significant cost savings for county, State and Federal budgets."[19]

Under this recommendation, applicants who apply concurrently for AFDC and food stamps would complete only the AFDC application. The determination and computation of income and resources would be based on AFDC criteria. The amount of food stamp benefits an AFDC family receives would be based on **the average food stamp allotment by household size currently issued in each State.** In other words, the number of persons in a household would determine the allotment.

The allotment would be revised yearly based on the Consumer Price Index.

The amount of the food stamp benefit would be the same for all AFDC families of the same size within a State, however the level of benefits would vary from State to State as a function of the current disparity of AFDC benefits from State to State. The Food Stamp Program has been a national income stabilizer, to some extent, bringing the purchasing power of AFDC clients in the lower AFDC grant level States, such as Mississippi and Alabama, into alignment with the higher-paying States, such as California and Connecticut.[20] This is an important feature of the program and the Committee recommends that it continue. Since the average food stamp allotment for a family of three in Alabama is higher than the average allotment for the same-sized family in Connecticut, households will continue to benefit from the income-stabilizing effect of the Food Stamp Program.

Any reductions or increases to the AFDC grant (other than cost-of-living adjustments) would necessitate an appropriate adjustment to the food stamp portion of the grant. This would ensure that families would not be unduly harmed by dramatic decreases to their AFDC grant.

It must be realized and accepted that the concept of standardized food stamp benefits in a cost-neutral arena requires that some households within a State will experience an increase in food stamp benefits and some, especially households with high shelter costs, will experience a reduction. Disadvantaging any family may be considered unacceptable by some. However, this concept is identical to the AFDC system which issues a flat grant based on household size, without consideration of special household expenses such as shelter costs.

Furthermore, we are proposing that the standardized food stamp benefit be issued only while the family is on AFDC. After that it could continue on food stamps under the regular food stamp rules, as long as it meets the income and resource tests.

This recommendation was proposed by, among others, **Secretary of Health, Education, and Welfare Joseph Califano** in 1977 as part of his report to the President on welfare reform.[21]

Recommendation 3c: The Committee recommends the establishment of a standard shelter and medical deduction under the Food Stamp Program for non-AFDC households. The amount of the deductions will be based on information obtained through demonstration projects using standard deductions. Computing individualized shelter and medical expense deductions for households requires a disproportionate amount of worker time, places a burden on households, and results in erroneous issuance of food stamp benefits. Because low-income households move frequently, shelter

19. Cantor, Ellen E., representing the National Association of Counties. Testimony on welfare simplification given before the House Committee on Domestic Marketing, Consumer Relations and Nutrition, Washington, DC, June 23, 1992, p. 4.
20. U.S. Congress, House of Representatives, Committee on Ways and Means, *Overview of Entitlement Programs: 1992 Green Book* (Washington, DC: U.S. Government Printing Office, 1992), pp. 636-637.
21. U.S. Department of Health, Education and Welfare, *Report on the 1977 Welfare Reform Study: The Secretary's Report to the President,* (Washington, DC: U.S. Government Printing Office, 1977), p. 17.

costs and allotments change frequently too. Current law and regulations for determining entitlement to utility allowances are complex and burdensome. Households entitled to the medical deduction—the elderly and disabled—may have difficulty meeting the requirement to report changes in medical costs. Congress should authorize demonstration projects to determine if the current system for deducting shelter and medical expenses could be simplified without unacceptable increases in cost or decreases in household benefits.

NACo[22] has recommended adoption of a standard shelter allowance under the Food Stamp Program.

- ***4. Recommendation: Expand the demonstration project authority for all programs to allow for the waiver of both statute and regulation. Cost neutrality should not be an overriding criterion for Federal approval of demonstrations or welfare reform initiatives.***

State agencies have had the benefit of years of experience at trying to adapt assistance programs to their needs as well as those of their clientele. They have achieved only modest success, inhibited by the constraints of legislation and regulations.

Testimony heard by the Committee reveals that there is tremendous enthusiasm at the State and local levels for making administrative improvements. Program operators are eager to meet the challenge to provide more timely and effective service to those in need. Many successful experiments have been conducted that meet the unique needs of communities, but future experimentation should not be inhibited.

The Committee recommends expanded Federal flexibility in granting waivers for demonstration projects. Cost should be a consideration in the approval of any waiver request, but a strict demand for cost neutrality only restricts the range of experiments that can be tried. It is difficult, if not impossible, to prove cost neutrality over a short period of time.

Recommendations regarding demonstration projects and increasing State flexibility have previously been offered by the **LIOWG,**[23] **the National Association of Housing and Redevelopment Officials** in conjunction with **APWA,**[24] and **NCC.**[25] In addition, **GAO's** survey of 49 States revealed that 31 States recommend increased Federal funding for demonstration projects as essential to service integration.[26]

- ***5. Recommendation: Allow States to make effective demonstration projects permanent and/or adopt successful systems tested in other States.***

Demonstration projects, by definition, are temporary pilot or experimental projects designed to test program changes that might increase the efficiency of a program or improve the delivery of benefits to eligible clients. Often they are limited to a few areas within a State.

Legislative and regulatory requirements are waived for a specific period of time under a demonstration project. At the end of the project, the waiver authority expires and the States are required to return to the applicable regulations. When the demonstrations have been successful, the States want to continue or expand them. This usually necessitates a regulatory or a

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22. National Association of Counties, p. 126.
23. Domestic Policy Council, Low Income Opportunity Working Group, p. 57.
24. National Association of Housing and Redevelopment Officials and the American Public Welfare Association, *Developing an Integrated Family Self-Sufficiency System: Roadblocks, Key Elements and Recommendations for Action,* (Washington, DC: National Association of Housing and Redevelopment Officials, 1991), p. 6.
25. National Commission on Children, p. xxxiii.
26. U.S. General Accounting Office, p. 48.

"Educators, social workers, mental health personnel, employment and training providers, and others must routinely ask themselves and their clients: 'Is what we are doing making a difference? If not, what can we do to adjust the mix of services or the way in which we are delivering them?'"

—What It Takes: Structuring Interagency Partnerships to Connect Children and Families with Comprehensive Services Education and Human Services Consortium, 1991

legislative change. Currently, no other formal mechanism exists to allow successful demonstrations to be adopted permanently.

The Committee recommends that a system be developed that will ensure that successful demonstration projects can be continued on a permanent basis. This system must provide quick and accessible procedures for State and Federal officials to pursue legislative and regulatory changes when demonstration projects are proven successful and States wish to continue them. A temporary extension of successful demonstration projects should be permitted while State and Federal program officials pursue the appropriate changes.

- ***6. Recommendation: Modify audit and evaluation procedures to focus primarily on the success of individuals and families in reaching self-sufficiency as the standard for accountability to determine the success of programs.***

Self-sufficiency is the National goal for public assistance clients. Many may never reach that goal, due to disability or age, but many without such hindrances can become independent.

The Nation should no longer focus on how many people can be helped by being on public assistance, but how many people can be helped by getting off public assistance. Program evaluations must reflect this change. The outcome of increased self-sufficiency should be the paramount measure of success.

The current quality control system forces program administrators to focus on process measures to determine the success of their programs. Emphasis is on program compliance, not on success in promoting self-sufficiency for clients.

Some changes are being made, but more needs to be done. The AFDC and Food Stamp Programs currently use process-based performance measures for their respective employment programs, but are moving toward outcome-based standards. Prompted by legislative action, the forthcoming performance standards will measure the employment outcomes of clients, including increases in earnings.[27] Critics of the two work programs have long argued that program performance should be measured by how many clients find jobs and stay employed, not how many have simply participated in a work program.

The Committee is not proposing to eliminate all process-based evaluation measures. Some of these measures are crucial to evaluating the effectiveness of program administration and should be retained for that purpose. For example, timeliness and accuracy in benefit delivery are two measurements that are extremely useful to program managers for ensuring the effective administration of their programs.

The Education and Human Services Consortium[28] **and NCC**[29] recommended that new accountability measures focus on enhanced child and family well-being, rather than solely on administrative processes.

- ***7. Recommendation: Establish a uniform implementation timeframe for all regulatory changes and a common date for implementing these changes, including cost-of-living adjustments. Coordination with non-needs-based programs, such as Social Security Administration Programs and Veterans benefits, should be stressed.***

Recommendation 7a: States are constantly bombarded with regulatory changes to the four programs. The implementation timeframes for these changes generally range from 30 to

27. Food Stamp Program: The Hunger Prevention Act of 1988 (Public Law 100-435) and the Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (Public Law 102-237)
AFDC Program: The Family Support Act of 1988 (Public Law 100-485)
28. A.I. Melaville with M.J. Blank, *What It Takes: Structuring Interagency Partnerships to Connect Children and Families with Comprehensive Services,* (Washington, DC: Education and Human Services Consortium, January 1991), p. 11.
29. National Commission on Children, p. xxxiii.

"By combining a wealth of expertise and a variety of perspectives, interagency partnerships have the opportunity to reorient systems away from the narrow dimensions of single agency mandates toward the broad-based needs of children and families."

—Sid Gardner,
Director of California's
Youth at Risk Project

180 days, without any clear reason for the variance. Many States have recommended a consistent implementation timeframe for all Federal programs. As a result, **APWA** has endorsed a minimum timeframe of 180 days as sufficient for implementation of most regulatory changes and 60 days for cost-of-living adjustments.[30] The Committee concurs with APWA's recommendation for a 60-day timeframe for cost-of-living adjustments, but believes a 120-day minimum timeframe should be adopted as the standard for all regulatory actions, notwithstanding statutory or court-directed mandates that would require a shorter timeframe.

Recommendation 7b: In addition to having adequate and consistent timeframes for implementation, the Committee recommends limiting program changes, including cost-of-living adjustments, to once a year. Currently, Federal program changes are issued throughout the year, generally as a result of legislative action. Each program may make several changes per year. Some of these changes have to be implemented retroactively. Each program's changes may overlap the changes of the other programs.

Cost-of-living adjustments (COLAs) illustrate the lack of coordination in program changes. COLAs for the public assistance programs are made at different times during the year, causing frequent changes in benefit levels. In the Food Stamp Program, eligibility standards, maximum benefit amounts, and deduction limits are adjusted for inflation on October 1 each year. COLAs for Medicaid occur in July; while under the AFDC Program, these same adjustments are State-driven and vary from State to State.

Non-needs-based programs, such as Social Security, SSI, and Veteran's benefits, have their own timeframes for COLAs. For example, the COLAs for Social Security and SSI are effective on January 1. Changes to these programs should be coordinated with the four programs discussed in this report.

Establishing a standard implementation date (e.g., October 1 or January 1) for all COLAs and regulatory changes would increase the efficiency of State operation of the programs. If new requirements were issued on a regular schedule, State agencies could plan and coordinate training, computer changes, public hearings, clearance of revised manuals through required channels, and printing of instructions. This would save money and be less confusing for clients and workers.

This recommendation will require the cooperation of Congress and the Executive Branch. All legislation affecting eligibility and program benefits should be written to conform to a standard implementation date. The Federal agencies (with the cooperation of the Office of Management and Budget) must, in turn, ensure that the implementing regulations are published in time to enable States to meet the proposed 120 day implementation date.

- ***8. Recommendation: Encourage States to form public/private partnerships to meet client needs.***

Much is being done at the grassroots level to assist low-income individuals and families in attaining self-sufficiency. However, needy persons should not have to choose between the public and private sectors as avenues for dealing with barriers to independence. The services provided by the public and private sectors should be intimately linked; they should complement and support each other. The Committee is aware that this type of coordination is being done in many States, but encourages every community throughout the Nation to adopt this public/private partnership concept.

Two excellent examples of how these public/private partnerships can effectively serve the needy are the Community Caring Council of Cape Girardeau, Missouri, and the Delaware

30. American Public Welfare Association, *Managing Need: Strategies for Serving Poor Families,* (Washington, DC: American Public Welfare Association, July 1991), p. 22.

Department of Health and Social Services State Service Centers. In Delaware, the State Service Centers have coordinated with such groups as the Alfred I. duPont Institute of the Nemours Foundation, Alcoholics Anonymous, Delaware Legal Services, Special Olympics, Salvation Army, Visiting Nurse Association, and many other local programs that provide counseling, training, and other needed services to family members.

NCC[31] and **LIOWG**[32] have recommended that the private sector and public agencies join forces to effectively address the needs of America's families.

- ***9. Recommendation: Combine employment and training programs for the economically disadvantaged into one program.***

The Committee recommends that USDA's Food Stamp E&T Program, the Department of Labor's Job Training Partnership Act Program (Title II), HHS' JOBS Program, and other relevant job training programs be merged into one program operating under a single Federal agency. The vital aspects of these programs, i.e., State, local, and private sector participation, and tying welfare to work, should be retained.

A great deal of overlap in providing job training services exists within the Executive Branch. Each of the agencies noted above administers separate employment and training programs, serving much of the same population. Historically, little interest has arisen for combining all the employment and training programs under a more logical policy and organizational structure. However, reorganization would minimize conflicting, overlapping, and duplicative provisions and regulations; identify funding disparities; improve program administration and coordination at the Federal level; reduce administrative costs; and enable States to deal with fewer Federal agencies.

This recommendation was originally proposed by **NCEP.**[33] It was also put forth by the Bush Administration in 1991 as a legislative proposal called, **Job Training 2000.**

Client Services Recommendations

- ***1. Recommendation: Streamline the verification process.***

Current regulations require verification of income and other factors of eligibility for all households. State agencies should be able to target verification requirements to those households in high-risk categories, as identified through use of the Income and Eligibility Verification System or other means.

Assistance programs have different verification requirements. Households frequently have to make several trips to the local office to provide extensive verification of their circumstances. Targeting would reduce the burden on caseworkers and on households who may lose benefits if they cannot find adequate verification of income, resources, or expenses.

Reduction in verification requirements has been suggested by **the American Association of Retired Persons (AARP),**[34] **APWA,**[35] **the National Eligibility Workers Association,**[36] and **Abt Associates Inc. (USDA, FNS).**[37]

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31. National Commission on Children, p. 75.
32. Low Income Opportunity Working Group, p. 43.
33. National Commission for Employment Policy, p. viii.
34. Health Systems Research, Inc., *Options for Improving Access to Federal Public Benefit Programs by the Elderly,* (Contract Number 9202) (Washington, DC: American Association of Retired Persons, May 1992), p. 5.
35. American Public Welfare Association, *Managing Need: Strategies for Serving Poor Families,* pp. 17-18.
36. National Eligibility Workers Association, pp. 10-11.
37. S. Bartlett, N.R. Burstein, G. Silverstein, and D. Rosenbaum, *The Food Stamp Application Process: Office Operations and Client Experiences, A final report to the U.S. Department of Agriculture, Food and Nutrition Service,* (Cambridge, MA: Abt Associates Inc., April 1992), p. 118.

"Arrangements that guarantee confidentiality while allowing multiple agencies to work together on behalf of the same client are possible, but they require sensitivity, patience, and often legal assistance to create."

—*What It Takes: Structuring Interagency Partnerships to Connect Children and Families with Comprehensive Services*
Education and Human Services Consortium, 1991

- ***2. Recommendation: Use a single case manager for all public assistance programs and services.***

Case management is the brokering and coordinating of multiple social, health, education, and employment services necessary to promote self-sufficiency. A single case manager should help individuals and families gain access to existing services and provide them with comprehensive and individualized assistance.

Case management has been an integral part of almost all of the experiments to improve the quality of service and reduce duplication over the past decade. It is critical for integrated service delivery.

The case manager should act as a liaison to other local service providers and be a single point of contact for the client. He or she should work with family members on a one-on-one basis, serving as an "advocate" for those who need more than one service to help them become self-sufficient.

The Committee hopes this recommendation will be implemented as an interim step prior to adoption of one comprehensive program. It is also an integral part of the one program concept. A case manager must be thoroughly aware of the services available to the family. This is extremely difficult within an environment of numerous, separate programs with multiple, conflicting requirements.

Case management has been recommended by **APWA** and the **National Council of State Human Service Administrators**[38] and **the Education and Human Services Consortium.**[39] **GAO's** survey of 49 States reflects the advantages of case management and other service integration methods, such as collocation of services. The States responded that increased client awareness of additional benefits, improved client access to benefits, and increased efficiency of service delivery were paramount.[40]

- ***3. Recommendation: Permit the sharing of client information among agencies.***

Confidentiality requirements—protocols to protect a client's privacy—are a common source of difficulty in establishing collaborative arrangements for service delivery. An inherent tension exists because the need to share information often conflicts with the privacy rights of individuals and families.

Arrangements that guarantee confidentiality while allowing multiple agencies to work together on behalf of the same client are possible, but they require sensitivity, patience, and often, legal assistance to create.[41] The sharing of certain client information to determine eligibility and benefits is currently allowed under Federal regulations affecting **most, but certainly not all,** needs-based programs. However, Federal regulations on the sharing of confidential information do not apply to State and local programs. Federal, State, and local regulations and policies should be adapted to promote the sharing of client information. This would benefit program administrators and clients by reducing the number of visits clients must make to different offices to receive assistance, complete multiple application forms, and verify the same information several times.

GAO[42] and **HHS' Office of Inspector General**[43] both found that the cultivation and maintenance of networks for public assistance agencies is necessary to improve communication and the sharing of information. **GAO's** survey of 49 States found that coordination between programs (40 States)

38. The American Public Welfare Association and The National Council of State Human Service Administrators, *One Child In Four - Investing in Poor Families and their Children: A Matter of Commitment,* (Washington, DC: American Public Welfare Association, 1986), p. 7.
39. Melaville and Blank, p. 9.
40. U.S. General Accounting Office, p. 24.
41. Melaville and Blank, p. 31.
42. U.S. General Accounting Office, p. 50.
43. U.S. Department of Health and Human Services, Office of Inspector General, p. 9.

and between agencies (37 States) need to be improved. **AARP**[44] recommends that verification policies and procedures be better integrated across programs to reduce duplication in verification activities.

- ***4. Recommendation: Make information on eligibility available in more public places, e.g., libraries and post offices.***

A major barrier to participation in the public assistance programs is the public's limited knowledge of the requirements of the program or how or where to apply for benefits. At the same time, a great deal of State agency time is spent explaining program requirements to persons who do not qualify. For example, in Los Angeles County during May 1992, 44 percent of the AFDC applications were either withdrawn or denied because the applicant did not complete the process after being informed of the program requirements.[45] The Food and Nutrition Service found similar results—34 percent of those who contact the food stamp office do not complete the application process. Of these, 19 percent do not even file an application, and 11 percent file an application but do not complete the certification interview.[46]

Because of limited public outreach efforts, time and money are wasted in explaining rules to ineligible persons, and otherwise eligible poverty-stricken persons are not applying for benefits that would help them meet basic needs.

Public places such as libraries and post offices should be used to publicize public assistance programs and their eligibility guidelines. The Internal Revenue Service does this. The involved agencies should coordinate efforts so that basic eligibility rules and application forms are readily available.

Several changes to the current programs will be needed for this concept to be truly effective: 1) Uniform rules are needed to allow potential applicants to determine their eligibility for more than one program; 2) Uniform implementation dates for changes to the program would allow for timely changes to the information available to the public; and, 3) A simplified, State-designed, combined application form is needed to gather basic information for each of the programs, yet not overwhelm and discourage the applicant.

AARP[47] and **Abt Associates Inc. (USDA, FNS)**[48] have recommended the expansion of information and advocacy programs designed to increase access to public assistance programs through agency publicity, application assistance, and trained service coordinators.

- ***5. Recommendation: Develop tables to be used by clients to determine how benefits may be impacted by anticipated changes in household circumstances, such as changes in income and household size.***

Right now it is nearly impossible for clients to know how a change in their household circumstances would impact their assistance payments. Tables or charts enabling clients to determine the impact on their benefits of taking a job or adding a person to their household would be very valuable. For example, an individual who gets a job would be able to go to the tables and assess what effect the anticipated income would have on his or her benefit levels, child care payment, housing payment and Medicaid status.

■ *APWA Task Force on Program Coordination*

The Committee was very impressed by the findings of previous efforts at sim-

44. Health Systems Research, Inc., p. 7.
45. "Department of Public Services Statistical Report" (Los Angeles County Department of Public Services, May 1992)
46. Abt Associates, Inc., p. iv.
47. Health Systems Research, Inc., p. 9.
48. Abt Associates, Inc., p. 117.

"We must end poverty for Americans who want to work. And we must do it on terms that dignify all of the rest of us, as well as help our country work better."

— President Bill Clinton
Remarks to the National
Governors' Association
January 1993

plification and coordination. In particular, the Committee applauds the efforts of the APWA Task Force on Program Coordination, which was chaired by Mary Deyampert, a member of this Committee.

The Task Force, in concert with ACF and FNS, identified 57 policy differences in the AFDC and Food Stamp Programs and recommended action to bring the two programs into conformity. (See appendix G for a complete listing of APWA's recommendations.)

This Committee recommends that:

1) the White House Domestic Policy Council immediately review the regulatory differences and recommended actions and provide a timely and full response to the Task Force recommendations;
2) Congress address the program differences that require legislative action by:
   a. directing the appropriate Committees (or subcommittees) to prepare analyses of these program differences, utilizing the data prepared by APWA and the Federal agencies;
   b. directing the House and Senate subcommittees having jurisdiction over these programs to hold **joint hearings** to obtain public testimony on the impact of these differences and to assist them in developing a legislative reform package to bring these programs into conformity so that clients will be better served and tax dollars more wisely spent.

We further recommend that these analyses be done **immediately** so that the joint hearings can take place in ample time to introduce necessary legislation during the current legislative session.

National Commission for Employment Policy

The Committee was also strongly influenced by the recommendations of NCEP in its October 1991 Special Report entitled *Coordinating Federal Assistance Programs for the Economically Disadvantaged: Recommendations and Background Materials.* The recommendations contained in this report parallel many of NCEP's recommendations. Specifically, we note the following recommendations by NCEP:

- assign responsibility for legislation and oversight over public assistance programs to a single committee in each Chamber of Congress;
- establish a common framework for streamlining eligibility requirements, formulating standard definitions and poverty measures, and easing administrative and documentation requirements; and
- merge the various job training programs into one agency operating under the same policy leadership and direction.

The Committee heartily recommends that the White House Domestic Policy Council and Congress review the recommendations contained in the NCEP report for implementation in conjunction with APWA's recommendations and those put forth by this Committee.

Conclusion

Change is desperately needed. The Committee hopes that this report will be a call to action for the Congress, Federal, State and local governments and the private sector to work together to improve public assistance delivery.

We believe that the adoption of these recommendations will result in program improvements that will benefit clients and program administrators alike. The results will be more efficient and effective service delivery, a general cost-savings, and better access to a simplified and more comprehensive range of services for our Nation's poor.

It is time for a change!

Appendix A
Biographies of Committee Members

Ms. Sammie Lynn Puett (Chair) is Vice President for Public Service and Continuing Education at the University of Tennessee. She served as Commissioner of the Tennessee Department of Human Services from 1980 to 1985.

Ms. Marie Bledsoe has served as Director of the Mount Carmel Community Outreach Ministries since 1985. She chairs the Kansas City Metropolitan Leadership Council of Bread for the World and is an National Executive Board member of both the Bread for the World and the Institute for Hunger Education and Development in Washington, DC. She is also a board member of the Harvesters Community Food Network in Kansas City, MO, a division of the National Second Harvest Food Banks. She has worked extensively on human service and anti-hunger issues at the local, State and National level since 1986.

Honorable Timothy S. Carey is a political consultant specializing in campaign strategy and design, and has been a Westchester County legislator since 1984. Mr. Carey is the Chairman of the County Board's Committee on Community Affairs and Housing, and is a member of the County's Criminal Justice Advisory Board where he is chairman of the subcommittee on Alternatives to Incarceration.

Ms. Mary Deyampert has been the Director of the North Carolina Division of Social Services since 1987. She is a former Regional Director for Social Services and Assistant Chief of the Family Services Branch. Ms. Deyampert also worked for the Cumberland County Department of Social Services.

Mr. Thomas Eichler was recently appointed the Secretary of the Delaware Department of Services for Children, Youth and their Families. Prior to this appointment, he served as the Secretary for Health and Social Services for the State of Delaware since 1985. Secretary Eichler has also served as a member of the Delaware Health Care Commission and the Governor's Substance Abuse Coordinating Council.

Mr. Ray Garcia is the Director of the Bureau of Program Planning and Development with the Los Angeles Department of Public Social Services. Mr. Garcia also served as Los Angeles County's Human Services legislative coordinator in Sacramento, CA and Washington, DC.

Dr. Robert Helms is a Resident Scholar in Health Policy at the American Enterprise Institute where he is currently working on health policy reform proposals. Dr. Helms also served as Assistant Secretary for Planning and Evaluation and Deputy Assistant Secretary for Health Policy for the U.S. Department of Health and Human Services.

Mr. Alphonso Jackson is the Executive Director of the Dallas Housing Authority and is a former Executive Director for the St. Louis Housing Authority. Mr. Jackson also served as Director for the Department of Public and Assisted Housing in Washington, DC.

Mr. Juan Ramos is an eligibility worker with the Southern Dona Ana County Income Support Division and is a member of the County's District Corrective Action Committee.

Honorable Claire Guthrie Traylor has been a member of the Colorado State Senate since 1982 and serves as the Vice-Chair of the Appropriations Committee. She was a member of the Colorado State House from 1978 to 1982, and served as Majority Caucus Chair. Senator Traylor also was recently appointed to the Welfare Reform Advisory Committee of the National Conference of State Legislatures.

Mr. Zy Weinberg is the Community Food and Nutrition Program Project Director for the California/Nevada Community Action Association. He has worked actively in both the public and private sectors for the improvement of programs aiding the poor and disadvantaged and has been involved in human service and anti-hunger issues on a State, regional, and national basis since 1974.

Appendix B
Background On The Four Programs

The AFDC Program

Eligibility

Eligibility for AFDC is determined at the State or local level, based on income and resource eligibility limits established by Federal law and regulation. Other tests for eligibility are based on family structure and work requirements.

Eligibility for AFDC ends on a child's 18th birthday. However, States may extend eligibility to a child's graduation from high school or the child's 19th birthday, whichever is earlier.

Exhibit 10 located at chapter III contains a detailed description of AFDC eligibility criteria.

Funding

The AFDC Program is funded jointly by the Federal and State Governments through a matching formula that varies according to the State's per capita income—the minimum Federal share is 50 percent, the maximum is 83 percent. The average Federal match on benefits is 55 percent. Some localities also share in meeting program costs.

Administrative Expenditures

The Federal Government matches most State AFDC administrative expenditures at a 50-percent rate, regardless of the amount the States spend.

Although Federal and State administrative expenditures totalled more than 19 percent of program expenditures in fiscal 1970, the cost of administering AFDC benefits has **diminished** over the years. Exhibit 11 at chapter III indicates that AFDC benefit expenditures have climbed steadily, particularly during recent years, while administrative expenditures have remained relatively stable.

In fiscal year 1992, States and the Federal Government spent $2.6 billion (12 percent of total expenditures) to administer $21.9 billion in AFDC grant payments.

Program Expenditures

AFDC program expenditures have increased steadily over the years. Since fiscal 1985, total Federal and State outlays for the program have increased by an average of more than $1 billion annually. In 1992, total Federal and State AFDC expenditures reached almost $22 billion, an increase of more than 70 percent from 1982.

Exhibits 1 and 3 at chapter III indicate that increased program expenditures in recent years mirror increases in program participation. The most notable increase in program expenditures occurred in 1991, when AFDC outlays increased by almost $1.8 billion, from $18.5 to more than $20 billion.

Program Participation

Exhibit 3 at chapter III illustrates that until 1989, participation in AFDC remained relatively constant—averaging around 10.8 million individuals. By fiscal 1992, however, participation increased to over 13.6 million individuals—up almost 25 percent from 1989. The most dramatic rise in participation occurred during 1991 and 1992, when participation increased by over 1 million each year. This remarkable AFDC caseload growth can primarily be attributed to a faltering economy—a modest portion of the increase may be due to the introduction of a mandatory AFDC-UP Program (see page 5) in October 1990.

Characteristics of AFDC Participants

More than nine million children and three million adults receive AFDC assistance. The overwhelming majority (98 percent) of adult recipients are women, and nearly all of these women (97 percent) are parents. Children make up 69 percent of the AFDC population.

The average AFDC assistance unit consists of 2.9 individuals. Within the assistance unit, there are generally 2 children.

AFDC cash assistance is the only source of cash income for most recipients. Only 20 percent of AFDC families receive other income, and just 8 percent have earnings. Thirteen percent receive other unearned income—usually in the form of the child support pass-through. About 18 percent of all one-parent AFDC families have child support payments due them, made to the State child support enforcement agency.

Few AFDC households (17 percent) have countable assets. Including the AFDC grant (which averages $388), the average monthly gross income of participating families is $485.

Most families (86 percent) receiving AFDC also receive food stamps, and 24 percent also receive housing assistance in the form of public housing or rent subsidies.

About one-half of the families receiving AFDC contain three or four people; only about one-fourth of the households have five or more persons. Most people (87 percent) living with an AFDC assistance unit are family members.

Work Requirements

In October, 1990, States began operating the Job Opportunities and Basic Skills Training (JOBS) Program. The JOBS Program shifted the focus of the AFDC Program from income maintenance to assisting needy families to become self-sufficient.

Placing special emphasis on teen parents who have dropped out of school and recipients who have received assistance for a long time, the JOBS Program provides education, training, and work experience for families to guide them toward employment and independence from welfare.

States are required to provide four activities: high school (or equivalent education), job skills training, job readiness activities, and job development and placement. Each State must also offer at least two of four optional components: job search, on-the-job-training, community work experience, and work supplementation.

All AFDC recipients who are not specifically exempted by law are required to participate in JOBS. Failure to participate without good cause may result in the AFDC check being reduced. The length of the sanction period is prescribed by statute and increases with each subsequent failure.

The Food Stamp Program

Eligibility

The Food Stamp Program has financial, work-related, and categorical tests for eligibility. Except for households composed entirely of AFDC or SSI recipients (who generally are automatically eligible for the program), monthly cash income is the primary determinant of eligibility.

Exhibit 10 located at chapter III contains a more comprehensive description of Food Stamp Program eligibility requirements.

Benefits

Food stamp benefit amounts are based on household size and net income. Accordingly, substantial variation exists in the amount of benefits a household may receive. For example, while the average household benefit in 1991 was $162, approximately 5 percent of households collected $10 or less while 11 percent received more than $300.[1]

Benefits also vary by the proportions that are distributed to different types of households. For instance, households with children receive 82 percent of all food stamp benefits. These households tend to be larger and relatively poorer than households without children. Similarly, households with elderly persons tend to be smaller and relatively better off, and receive 6 percent of food stamp benefits.

Food stamp benefit amounts are adjusted annually for inflation. Monthly food stamp allotments are tied to the cost of purchasing a nutritious low-cost diet, as measured by the Department of Agriculture's Thrifty Food Plan (TFP).

The TFP is the least expensive of four food plans using 31 groups of food that households might use to create a low-cost, nutritious diet. The plan is based on the cost of a food plan for a family of four with a man and a woman ages 20-50, and children 6-8 and 9-11. The maximum annual food stamp allotment is set at 103 percent of the TFP.

Funding

The Federal Government provides full funding for food stamp benefits. The cost of administering the program is shared equally between the States and the Federal Government. In fiscal 1992 the Department of Agriculture distributed more than $22 billion in food stamp benefits to more than 25 million individuals.

Administrative Expenditures*

** Note: Expenditures depicted here reflect Federal amounts only and exclude 100 percent Federal costs such as printing and processing food stamp coupons and other program costs. Generally, the costs of administering the Food Stamp Program is shared equally between the States and the Federal Government.*

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1. Nancy Heiser and Suzanne Smolkin. "Characteristics of Food Stamp Households, Summer 1991." Washington, DC: Mathematica Policy Research, Inc., 1992.

The Federal Government spent approximately $1.4 billion in fiscal year 1992 to administer $22.4 billion in food stamp benefits. Another $200 billion in administrative expenditures was spent on the Food Stamp Employment and Training Program and other program costs.

Exhibit 12 at chapter III indicates that the cost of delivering a dollar of food stamp benefits has **diminished** over the years. Since 1986, benefit levels have grown by more than 60 percent, while administrative expenditures have increased by little more than half that amount (35 percent).

Administrative expenditures have averaged around $1 billion annually since fiscal year 1983, approximately 7.5 percent of total program expenditures.

Program Expenditures

Exhibit 4 at chapter III indicates that Food Stamp Program expenditures have increased more than 100 percent since 1982—from $10.2 billion in 1982 to over $22 billion in 1992. Annually, expenditures have averaged around $13.7 billion, growing at a rate of roughly $1 billion per year.

During the recession of the early 1980's program expenditures peaked at about $11.8 billion, although by 1987 it looked as though the economy was improving and program costs were on a downswing. However, by 1989 program costs were on the rise again, as food stamp rolls swelled and program expenditures rose to all-time highs. As a result of difficult economic times and rapid caseload growth (44 percent since July, 1989), program expenditures increased at significant rates and continue to climb. Exhibit 4 illustrates that since 1989 program expenditures have increased by $8 billion, from nearly $13 billion to $22 billion.

Food Stamp Program expenditures tend to mirror participation levels. As the food stamp rolls swelled to record levels beginning in 1990, program expenditures increased accordingly. Upon closer examination, however, one must also consider that food stamp benefits are adjusted annually for inflation which helps to drive up program costs each year.

Program Participation

Exhibit 5 at chapter III indicates that during the early 1980's, participation in the Food Stamp Program had reached an all-time high. Gradually, the rolls began to decrease around 1985 as the effects of an improving economy became evident. Program participation continued to decrease until 1989, when the economy began to falter once again and the food stamp rolls began to expand for the second time in less than a decade.

Since 1989, participation has grown by an average of 2.2 million individuals annually. In 1991 participation rose sharply (more than 2.5 million), to more than 22.6 million program participants. The most drastic jump in program participation, however, occurred in 1992, when more than 2.7 million joined the program to bring the program's total to more than 25 million participants.

Characteristics of the Food Stamp Population[2]

Because food stamp benefits are generally available to all low-income persons, its recipient population is diverse. Perhaps the three most salient characteristics of

2. Nancy Heiser and Suzanne Smolkin. "Characteristics of Food Stamp Households, Summer 1991." Washington, DC: Mathematica Policy Research, Inc., 1992.

the population are its poverty, its extensive receipt of other assistance, and the fact that about 50 percent of those relying on the program are children.

Children reside in 61 percent of all food stamp households. Most of these households are headed by single parents who also receive AFDC benefits. Families with children receive over 80 percent of all food stamp benefits.

The average food stamp household is made up of 2.6 people.

- More than half (52 percent) of all food stamp households are made up of one or two people.
- One-third of households are single-person households.
- Elderly households tend to be small; about three-fourths of all elderly persons live alone.

Forty-one percent of all food stamp recipients are nonelderly adults, 70 percent of whom are women. Of these female adults, three out of four are parents.

Elderly individuals make up 7 percent of the food stamp population, and reside in 17 percent of all food stamp households. Approximately three-fourths of all elderly recipients are women.

While almost all (91 percent) of food stamp households live below the Federal income poverty guideline, many are very poor. That is, 42 percent of all food stamp households live at a level that is **below half** of the poverty guideline.

The average monthly income for a food stamp household in 1991 was $472. Income is derived from a variety of sources for these households—half receive AFDC or State General Assistance grants, and 19 percent receive income through SSI benefits. Only 20 percent have earnings of any kind, and less than one-fourth of all food stamp households claim any type of countable resources.

Work Requirements

Since April 1987, States have been operating Food Stamp Employment and Training Programs (E&T). These programs are designed to improve food stamp recipients' ability to gain employment through education and training activities, increase earnings, and reduce their dependency on public assistance.

As a condition of eligibility for food stamp benefits, applicants who are not specifically exempted by law must "register for work" when they apply for benefits. Work registrants are generally the most job-ready of the food stamp population. In 1992, 4.9 million individuals (about 7 percent of food stamp recipients) were required to register for work by the Food Stamp Program.

State-designed E&T programs may offer job search, job search training, vocational and basic education, and self-employment activities. Limited funds are allowed for participants to pay for dependent care and transportation expenses incurred as a result of E&T participation.

If a participant fails to meet an E&T program requirement, he or she is disqualified from the Food Stamp Program for 2 months. However, if the violating individual is the "head of the household" (i.e., the principal wage earner prior to the violation), the entire household is disqualified for 2 months.

Eligibility[3]

Medicaid essentially serves four populations: low-income families who lack health insurance, elderly people who need assistance with medical care, disabled elderly individuals who require long-term care, and nonelderly disabled individuals who need critical and long-term care.

To be considered eligible for the Medicaid Program, an individual must be aged, blind, disabled (SSI recipient), or a member of a single-parent family with dependent children (AFDC family). These individuals are often referred to as **"categorically needy."** Categorically needy applicants must also meet income and asset tests (generally those of the AFDC and SSI programs) before Medicaid benefits are distributed.

Recent legislation expanded eligibility to cover **all** pregnant women who meet State income and resource requirements, whether or not they are receiving AFDC (23 States currently provide Medicaid coverage for pregnancy-related services for women with incomes up to the Federal maximum (185 percent of poverty). The remaining States provide coverage up to at least 133 percent of poverty. Almost all States have eliminated the asset test for these women. States may opt to cover infants until they are a year old).

States have also phased in coverage of children under age 7 or 8 who meet income and resource standards, and some have opted to extend eligibility to cover additional low-income target groups such as some low-income elderly.

States may also cover **"medically needy"** individuals who meet categorical requirements but have income that exceeds eligibility levels. Each State determines an income level for the medically needy, but it may not exceed 133 percent of the State's payment standard. [Standards for the medically needy averaged 53 percent of poverty, or $6,191 for a three-person family in 1990.]

Exhibit 10 at chapter III contains more detail on Medicaid eligibility requirements.

Medicaid Services

Within Federal guidelines, States have considerable flexibility in structuring their own programs. Each State determines who will be covered, what services will be paid for, how much providers will be paid for delivering health care, and how the program will be administered. As a result, substantial variation exists from State to State. States must, however, provide certain mandatory services, including inpatient and outpatient hospital care, laboratory and x-ray services, skilled nursing facility care for persons under age 21, family planning services, physicians' services, rural health clinic services, home health services, and nurse/midwife services.

States may elect to provide other services for which Federal matching funds are available. Some of the most frequently covered optional services are: clinic care, medical transportation, intermediate care for the mentally retarded, optometry, prescribed drugs, case management, and dentistry.

3. The Kaiser Commission on the Future of Medicaid. "Medicaid at the Crossroads." The Henry J. Kaiser Family Foundation, November 1992, p. 6.

Roughly 1 in 10 Americans relies on Medicaid for health insurance and, because Medicare does not cover long-term care services such as nursing home facilities, Medicaid is also the primary source of financial assistance for long-term care for many Americans.

Funding

The Federal Government provides matching grants to States, provided they meet its eligibility and benefit requirements. As with AFDC, matching rates are 50 percent but may be higher for States with low per-capita income.

On average, Federal funds account for approximately 57 percent of the total annual cost of the Medicaid program. The Federal share of a State's Medicaid expenditures typically ranges from 50 to 80 percent.

Medicaid plays a dominant role in the payment of the nation's health care services. In 1990, it accounted for 11 percent ($72.5 billion) of the year's $666 billion in health care spending.

Administrative Expenditures

Exhibit 13 at chapter III indicates that administrative expenditures for the Medicaid Program have grown by more than $2.4 billion since fiscal year 1984, an average of $309 million annually. In 1992, States and the Federal Government spent 3.5 percent ($4.28 billion) of total Medicaid outlays for program administration. Since 1984, Federal-share contributions to administrative costs have averaged $1.6 billion—State-share averaged $1.2 billion. (Note—final adjustments have not been made.)

Program Expenditures

Medicaid is the most expensive program currently providing assistance to the economically disadvantaged, and given the growing number of individuals entering the program each year, expenditures will continue to escalate.

Increased expenditures for the Medicaid program over the years have far exceeded the increase in numbers of persons or services provided.[4] That is, the cost per Medicaid recipient has increased annually, primarily due to:

- the advanced rate of inflation of medical and health-related services when compared to inflation in general;
- the increase of very old and disabled persons requiring extensive long-term health care and related services;
- the increase reimbursement rates to the health care providers;
- the economic recession and Federal mandates that increased the size of the Medicaid-covered population; and
- a number of lawsuits have forced some States to increase payments to Medicaid providers.

Since 1982 Medicaid expenditures have grown nearly four-fold, to total an estimated $120 billion in 1992. As with the AFDC and Food Stamp Programs, the most dramatic increases in program expenditures have been in the past 3 years. Exhibit 6 at chapter III shows that beginning in fiscal year 1990, outlays for the

4. U.S. Department of Health and Human Services, Social Security Administration, "Annual Statistical Supplement to the Social Security Bulletin, 1992." January 1993, p.81

Medicaid program jumped $11 billion—from almost $61 billion to more than $72 billion. Expenditures escalated even higher in 1991, when outlays increased over 30 percent to total more than $94 billion. Estimates for 1992 expenditures reveal another dramatic leap—almost $26 billion—to a total of $120 billion in Medicaid expenditures in fiscal year 1992. In 1993 Federal-share Medicaid outlays **alone** are projected to reach $84.5 billion, more than 16.5 percent over the $72 billion projected for 1992.

Interestingly, Medicaid expenditure patterns tend to contradict the actual utilization of services. Although institutional care accounted for a majority of total Medicaid expenditures, only 20 percent of recipients actually used inpatient hospital care, and fewer than 7 percent used long-term institutional care. The largest proportion of Medicaid recipients rely on the program for ambulatory services, more than two-thirds receive physician services and prescription drugs, and roughly half use outpatient hospital care.

Program Participation

Participation in the Medicaid program has grown at a rate of 3.7 percent annually over the past 10 years. Since 1982, participation has grown by over 40 percent, roughly 8 million individuals.

EXHIBIT 17
MEDICAID BENEFICIARIES AND EXPENDITURES
BY POPULATION GROUP, 1990

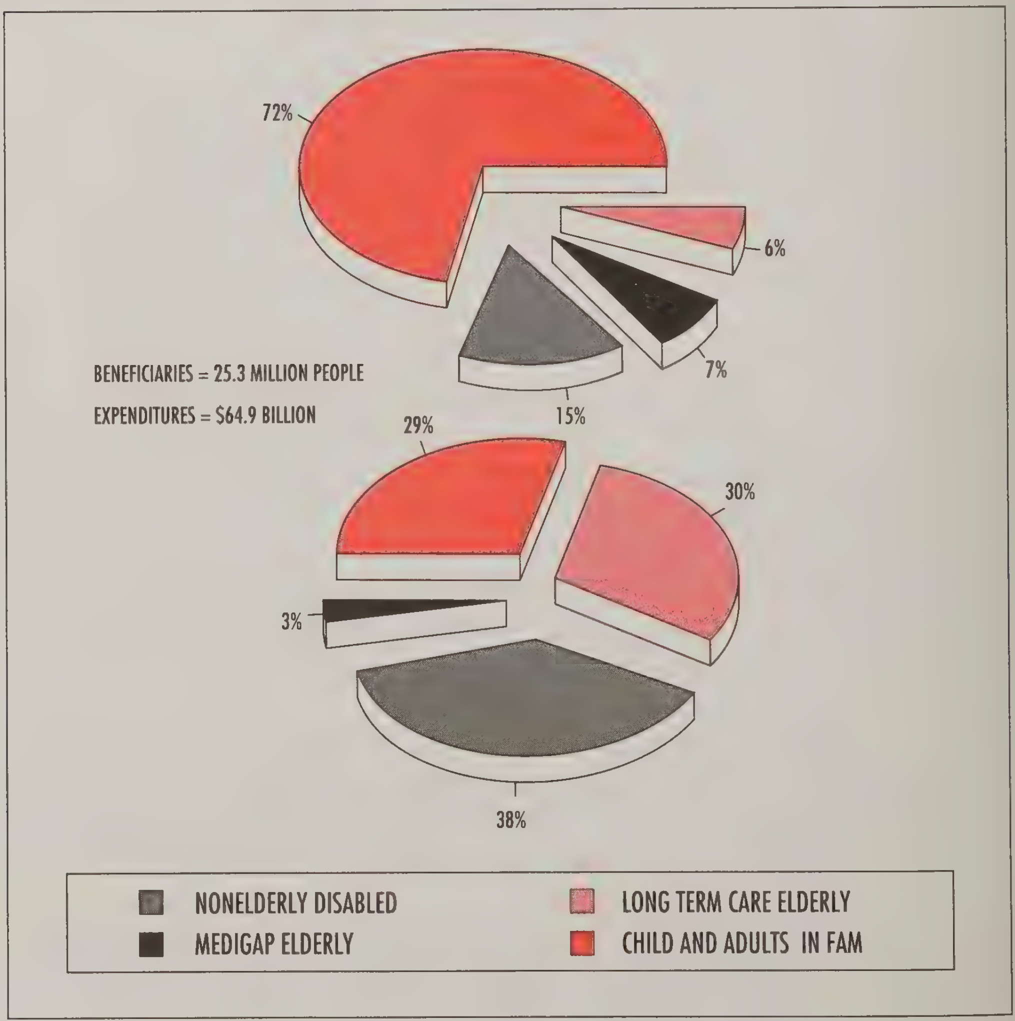


Exhibit 7 at chapter III reveals that the most significant jumps in Medicaid participation have occurred in the past 3 years, when an average of 2.2 million persons were added to the program each year. Fiscal year 1991 witnessed the greatest boost in participation, when more than 3 million individuals entered the Medicaid rolls. The trend continued in 1992, when estimated participation reached a record high of over 30 million.

Characteristics of the Medicaid Population[5]

Low-income children and adults in families claimed less than 30 percent of total spending, although this population makes up 72 percent of all Medicaid beneficiaries recipients. The bulk of Medicaid expenditures go to the elderly and disabled, particularly those who reside in institutions. Institutional benefits, which are used almost exclusively by the elderly and disabled, are the most expensive services Medicaid covers. **Exhibit 17** illustrates Medicaid population groups and relevant expenditures.

Note—Because of the Committee's mandate to address the problems surrounding participation in several specific assistance programs, the above discussion of the Medicaid Program leans towards the interaction between Medicaid and the AFDC Program. The Committee recognizes that these beneficiaries, although they make up the majority of the Medicaid population, actually claim a very small portion of Medicaid expenditures. Other categories of Medicaid recipients, particularly the elderly poor, receive the bulk of program expenditures.

Federal Housing Assistance Programs

The two major forms of Federal housing assistance are the Public Housing Program and the Section 8 Program.

The Public Housing Program

Eligibility

Eligibility for public housing assistance is based on income and family composition. To qualify, a family's income must be less than 80 percent of the median income in that area, with adjustments for household size. Although eligible families are defined as "lower income," most public housing residents fall into the "very low-income" category with incomes substantially less than 50 percent of the median income for the area.

Residents pay a fixed percentage (currently 30 percent) of their adjusted income to the Public Housing Authority as rent.

Funding

The Federal Government provides full funding for public housing. Funds are allocated by the Department of Housing and Urban Development (HUD) to local Public Housing Authorities (PHA) who build, own and manage the public housing units.

5. The Kaiser Commission on the Future of Medicaid. "Medicaid at the Crossroads." The Henry J. Kaiser Family Foundation, November 1992.

Since the 1970's, resident management corporations (RMCs) have been contracting with PHAs to take over some or all of their management functions. Presently, over 200 resident management entities are under development.

Characteristics of the Public Housing Program Population

The average household in public housing is made up of 2.4 persons with an average annual income of $7,089. The average length of occupancy is 7.5 years. A large majority (69 percent) of families living in public housing have a single head of household. Families with children make up 63 percent of the occupants in public housing. Roughly 27 percent of households contain persons age 62 or older.

The Section 8 Housing Program

The Section 8 Housing Program consists of the rental certificate and rental voucher programs.

Similar to public housing assistance, Federal funds for the Section 8 Program are distributed by HUD to local PHAs. In the Section 8 Program, however, the PHA is the program **administrator**, accepting applications, verifying participant eligibility, inspecting units, and making certain payments to owners on behalf of eligible families.

The Rental Certificate Program

The Rental Certificate Program was enacted by Congress in the Housing and Community Development Act of 1974. It represented a shift in Federal housing policy from direct Federal financing for PHA-owned public housing and placed emphasis on the private rental market to supply decent, safe, and sanitary housing. Major characteristics of the program are:

1) A lease is executed between the family and the owner which specifies the amount of rent the owner will receive and terms of tenancy. The PHA pays a portion of the monthly rent for the family;
2) The family is responsible for locating and securing an affordable dwelling unit that meets basic housing quality standards; and
3) The rent for the unit must be reasonable and there is a cap on the rent (fair market value) that controls the amount of government subsidy paid to make up the difference between what the family pays (usually 30 percent of its adjusted income) and the rent charged for the unit.

The Rental Voucher Program

The rental voucher program was implemented as an improvement over the rental certificate program to more closely reflect actual private rental market operation. Certain changes were made to make the rental voucher program more "market-like." Some of these changes were:

1) A participating family is free to pay more than 30 percent of its adjusted income for rent if it chooses to rent a housing unit more to its liking, as long as the unit meets housing quality standards;

2) A family can pay less than 30 percent of its adjusted income for rent if it is able to rent a standard dwelling for less than a predetermined payment standard. A built-in "shopping incentive" encourages families to select lower cost housing; and
3) The subsidy paid on behalf of the family is "capped" by a payment standard designed to reflect the cost of standard rental units for a given market area. The subsidy does not increase because the rent charged by an owner is raised.

Selection for Public and Section 8 Housing

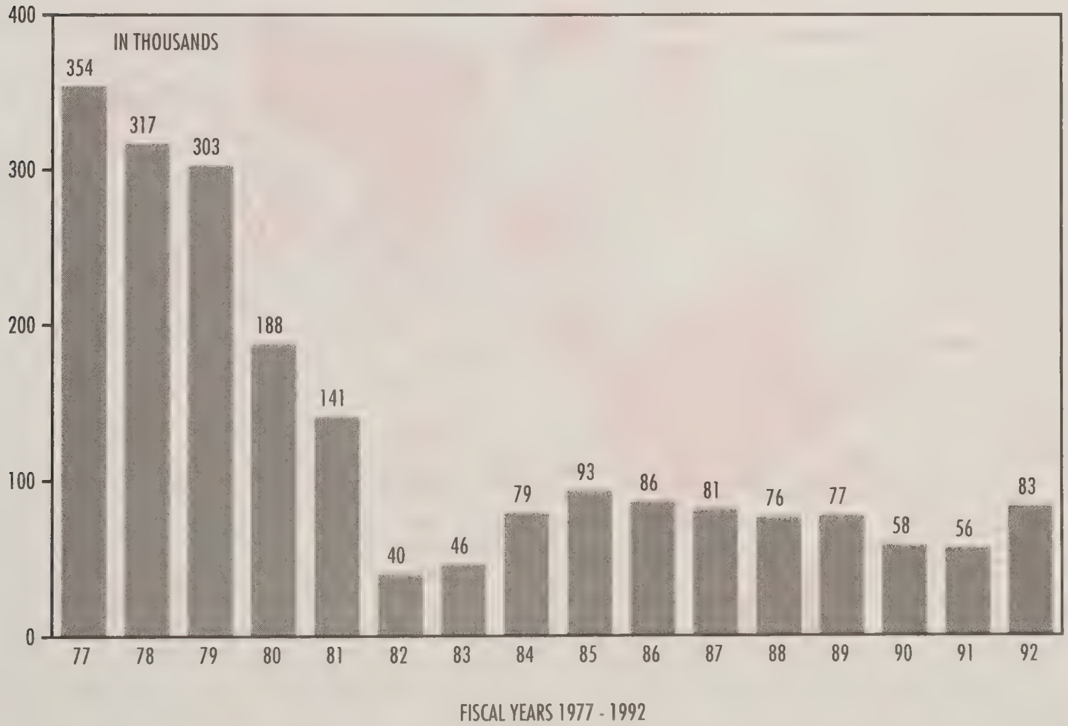
Public housing and Section 8 housing are only available to people with low income, as with other assistance programs such as food stamps and AFDC. However, housing assistance is different from other assistance programs because not enough Federally assisted housing exists for all who are eligible. Housing authorities maintain waiting lists of eligible applicants and in some of the larger urban areas, the wait can be 4 to 6 years long.

Therefore, selection preferences are used during the screening process to ensure that housing assistance goes to those who need it the most. Certain preferences are mandated by law, in addition to some optional local housing authority preferences. Federally mandated preferences are:
1) Families living in substandard housing (including the homeless);
2) Families involuntarily displaced or about to be involuntarily displaced; and
3) Families paying more than 50 percent of family income for rent.

Funding for Assisted Housing Programs

Housing assistance has never been provided as an entitlement to all households that qualify for aid. Instead, each year Congress appropriates funds for a number

EXHIBIT 18
HOUSING ASSISTANCE PROGRAMS
NEW HUD LOW INCOME HOUSING UNIT COMMITMENTS, 1977-1992



of new commitments. Because these commitments generally run from 5 to 50 years, the appropriation is spent gradually, over many years. Exhibit 18 illustrates HUD's commitments for low-income housing units since 1977.

The Public Housing and Section 8 Programs are 100-percent Federally funded. Funds are allocated to PHAs based on a fair-share formula that determines relative needs for housing based on factors such as population, the number of persons with incomes below the poverty line, housing vacancies, and the extent of over-crowded or substandard housing. Federal funds are capped and no matching requirements exist for funds from non-Federal sources.

Housing Assistance Program Expenditures

Exhibit 9 at chapter III indicates that Federal expenditures for housing assistance have increased continually over the years, climbing more than $10 billion over a ten-year period. Since 1982, expenditures have averaged more than $14 billion annually, escalating at an average annual rate of 16 percent.

Notably, the most exceptional increase occurred in fiscal 1985, when housing expenditures increased by more than 125 percent — from $11 billion in 1984 to more than $25 billion. The significant hike in expenditures was brought about that year when HUD purchased all existing Public Housing loans. The increase in 1985 was followed by a 50 percent decrease in 1986, when expenditures for housing assistance fell back to slightly more than $12 billion.

Participation in the Programs

**Note - Participation numbers reflected here include additional housing programs than those discussed in the chapter.*

Although Federal funding for public housing has increased by fairly large increments over the years, the same does not follow for the numbers of individuals receiving assisted housing. While housing assistance programs are currently reporting record-breaking participation levels, limited housing inventories and low turnover among residents living in assisted housing units have precluded housing programs from experiencing the extraordinary increases in participation that other assistance programs have witnessed.

Exhibit 8 at chapter III indicates that since fiscal 1982, participation in Federal housing assistance programs has increased by only 1 million households, an average increase of only 127,000 households per year. The most significant increases in housing participation occurred in 1983 and 1984, when nearly 5 million households received housing assistance. Participation leveled off significantly during the following years, to reach a total of 5.5 million individuals in 1992. ■

Appendix C
"The Cliffs of Self-Sufficiency"

by the Jefferson County Self-Sufficiency Council

JeSSC
Jeffco
Self-Sufficiency
Council
900 Jefferson County Parkway
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(303) 271-4019

THE CLIFFS OF SELF-SUFFICIENCY **October, 1992**

It is assumed that a family trying to work its way out of poverty will see a gradually increasing standard of living as that family's earned income increases. It is also assumed that public programs will gradually drop away as family earnings increase. For single parent families that have children requiring childcare, neither of these assumptions is true. In every case we reviewed, there came a time when that family would fall off a "cliff," where a small increase in income would result in a ***huge decrease*** in spendable income, due to the abrupt termination of some benefit (most notably, but not exclusively, childcare assistance). Where the cliff occurs, and its height, varies with number and ages of children, but it always occurs. This is called the "cliff effect."

Typically, when a family complains about this cliff, we tell them about some other program that should help them (the Earned Income Tax Credit, for example). But since these programs have arisen out of multiple bureaucracies with differing regulations, seldom does any one system know much about the programs from another bureaucracy. The attached graphs were developed in an attempt to see the net effect of every tax and benefit program we knew of on single parent families as their income increases.

These graphs were derived by calculating the income and Social Security taxes, childcare costs, and costs for dependent medical insurance coverage in a typical group plan. (For a more comprehensive discussion of the data methodology, see the attached "Data Sources and Assumptions.") It was assumed that each family had accessed all benefits for which they were eligible (Medicaid, Food Stamps, childcare assistance, earned income credit on Federal Income tax, childcare tax credit).

We were shocked with what we found. The reality was far worse than we imagined. The most notable item is childcare. In each graph, there is a place where the family's income makes them ineligible for childcare assistance, resulting in a sudden large increase in childcare expense, and a corresponding drop in income. (This is after accounting for the new federal childcare block grants; these data were created using the most recently available fee schedules and eligibility limits estimated by the Colorado Department of Social Services). Families can see their net income drop between $250 and $600 a month because of a small (10 cents per hour) increase in income. We call these families "cliff dwellers."

We have enclosed three charts. One shows net income at varying wage levels, after including any benefits such as Food Stamps and Earned Income Credits. The second shows the taxes, childcare, and medical insurance deductions the family pays at these income levels, as well as the Food Stamps and Earned Income Taxes (shown as

"negative" costs) the family receives. The third are data tables showing the data used to create the charts. These charts have been developed for single parents having one, two, and three children.

One potential benefit not shown in the charts is HUD sponsored rental assistance. Partly this has been done to improve readability of the charts. Practically, working families, especially those with larger families, are much less likely to receive this assistance than welfare families, because of HUD's internal priority system.

Some things that would help improve the situation for "cliff dwellers" include:

* Expanding availability of rental assistance to larger, single parent, working families, and removing the current "Federal preference system," which effectively discriminates against working families.

* Expanding childcare subsidies to more realisticly respond to families' actual cost, rather than setting arbitrary income limits.

* Indexing the Earned Income Tax Credit for family size, increasing the Federal exemption for children, or providing a more aggressive tax credit for childcare expense for single parents.

* Raising the Food Stamp "caps" for shelter and childcare to more realistic levels.

It would also help if the various programs would establish "one-stop-shopping" for the various benefits. Single, working parents already live in a constant time-crunch; having to find time for separate appointments for daycare subsidies, Food Stamps, Medicaid, and rental assistance can easily feel like more trouble than it is worth. Since these various programs require very similar documentation, we ought to be able to streamline the application process. The current system provides too many opportunities for discouragement.

Developed by: Kathy Hartman, Executive Director
Jeffco Self-Sufficiency Council

October, 1992

DATA SOURCES AND ASSUMPTIONS IN THE "SELF-SUFFICIENCY CLIFFS" CHARTS

Income - AFDC amounts are maximum allowable payment for specific family size. Others are straight computations from assumed hourly wage.

Social Security Tax - 7.5 % of gross income

Childcare - The majority of assumptions are here. Childcare subsidies were calculated using the Social Services fee schedules effective 2/1/92. We assumed that non-subsidized child-care for a child under 6 years of age cost $100/week, a rough (and slightly low) average of the costs quoted by four providers in Jefferson County. Childcare for school-age children was assumed to cost 50% of that for younger children (We're told this is a low estimate). With two children requiring full-day childcare, it was assumed that an 8% discount was given on the second child. With three children, it was assumed that one child was 1/2 day and that both the second and third child had discounts.

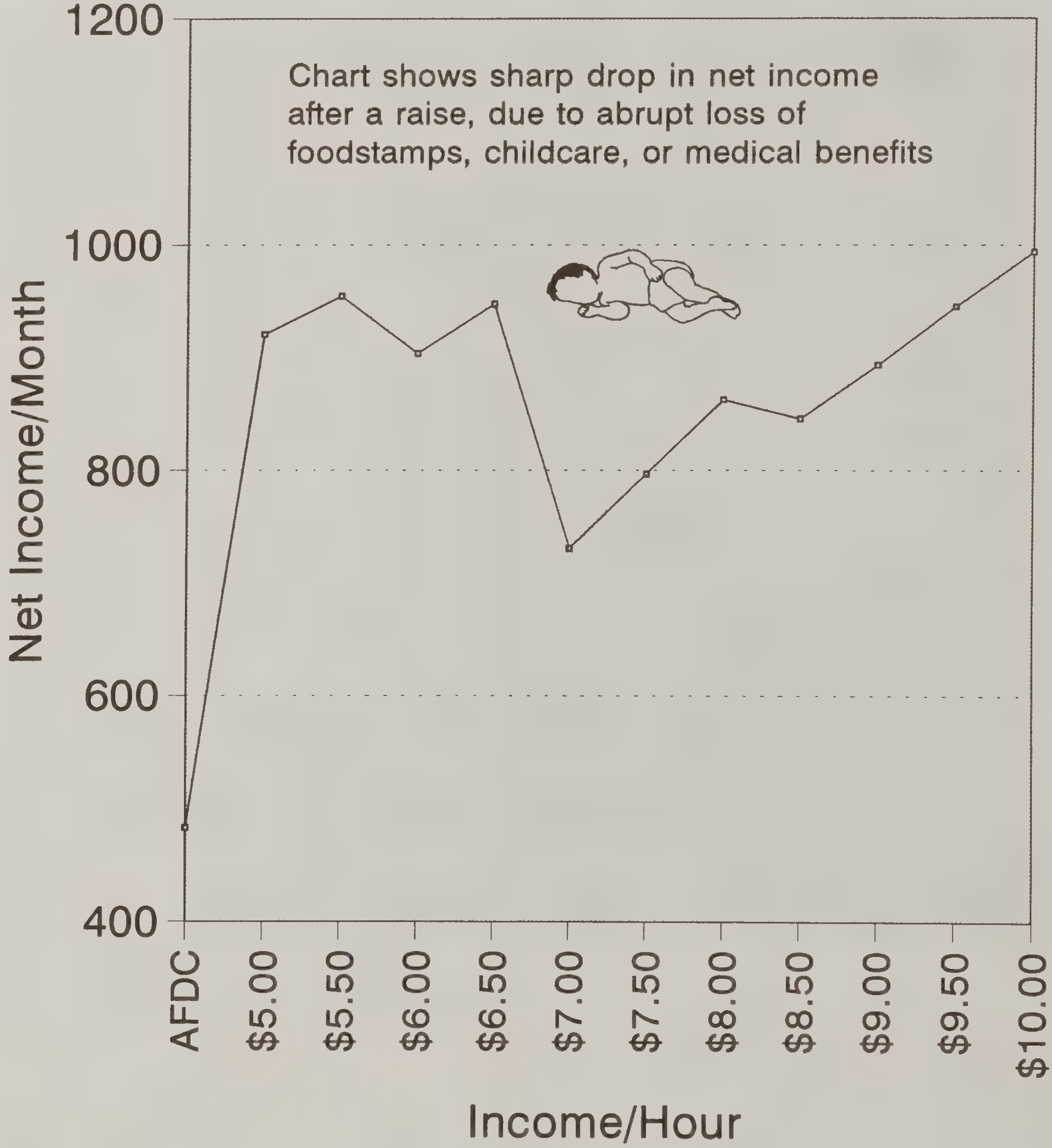
Medical - Here, we assumed that the parent was covered by the employer, with the option of enrolling dependent children at employee expense (since very few employers today offer free health insurance for all dependents). We used the schedule used for Jefferson County employees. If a child was eligible for Medicaid, they were NOT covered under the employer plan. Because of this, most families could enroll at the "duplex" rate allowed for one employee and one dependent, rather than the more expensive "family rate," that covers all dependents. Many plans do not have this rate structure, requiring that the employee pay the family rate regardless of the number of dependents.

Taxes - These were computed using tax software for each family, using "head of household" filing status. Child care credits and earned income credits were computed; those situations showing negative taxes are benefitting from the earned income credit. In order for real families to get these results, they generally must file a long-form plus childcare credit form, something many may not do.

Foodstamps These were computed using Social Services tables, effective October 1, 1992. It should be noted that Social Services caps the allowable deduction for childcare at $160 per month per child, far below actual cost for someone not receiving the daycare subsidy. Rent and utility caps are similarly unrealistic.

The Cliff Effect

Net Income After Taxes, Medical, and Childcare
Single Parent, One Child



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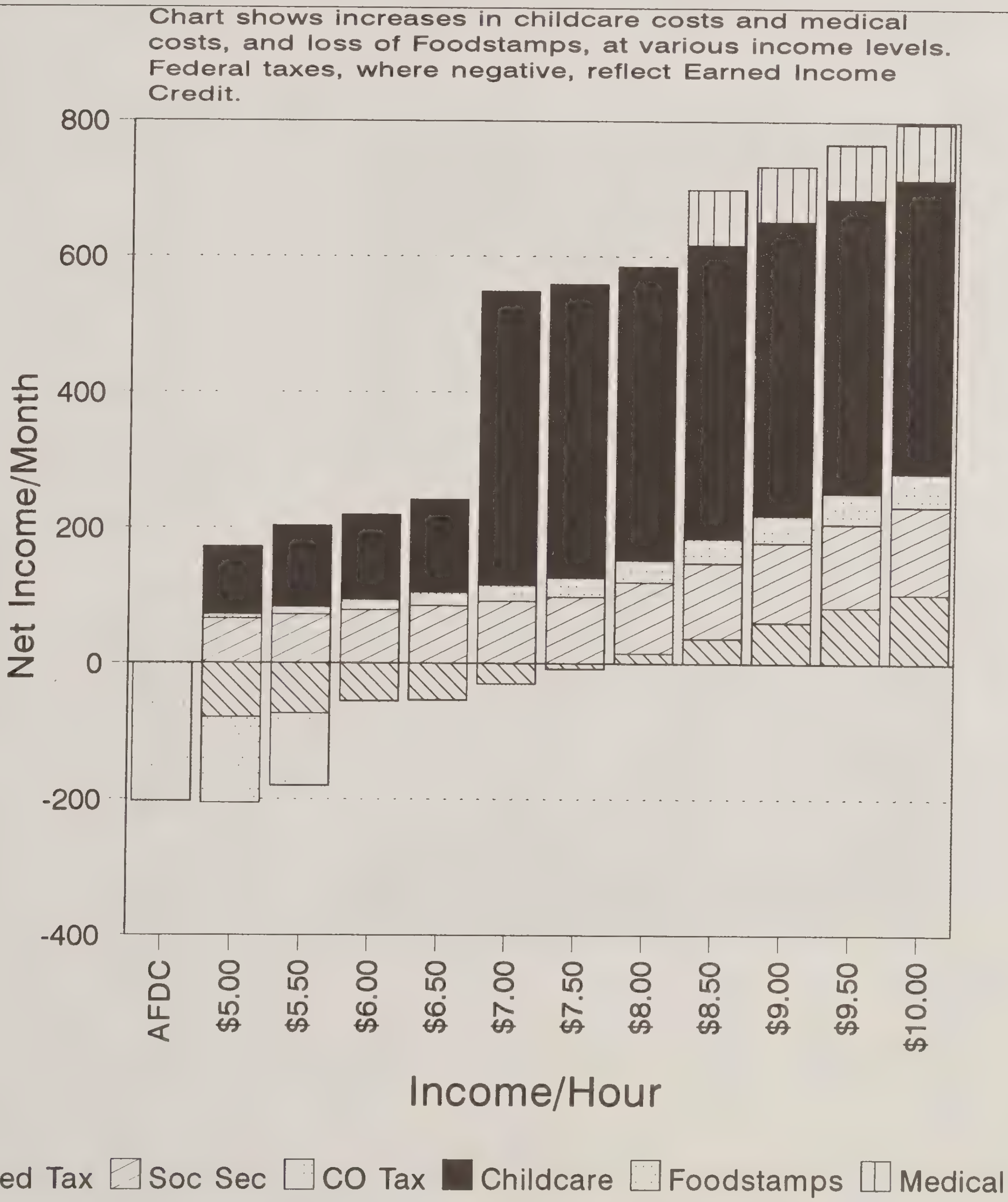
February, 1992 271-4019

The Cliff Effect

Costs of Taxes, Childcare, Medical
Single Parent, One Child



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JEFFCO SELF-SUFFICIENCY COUNCIL

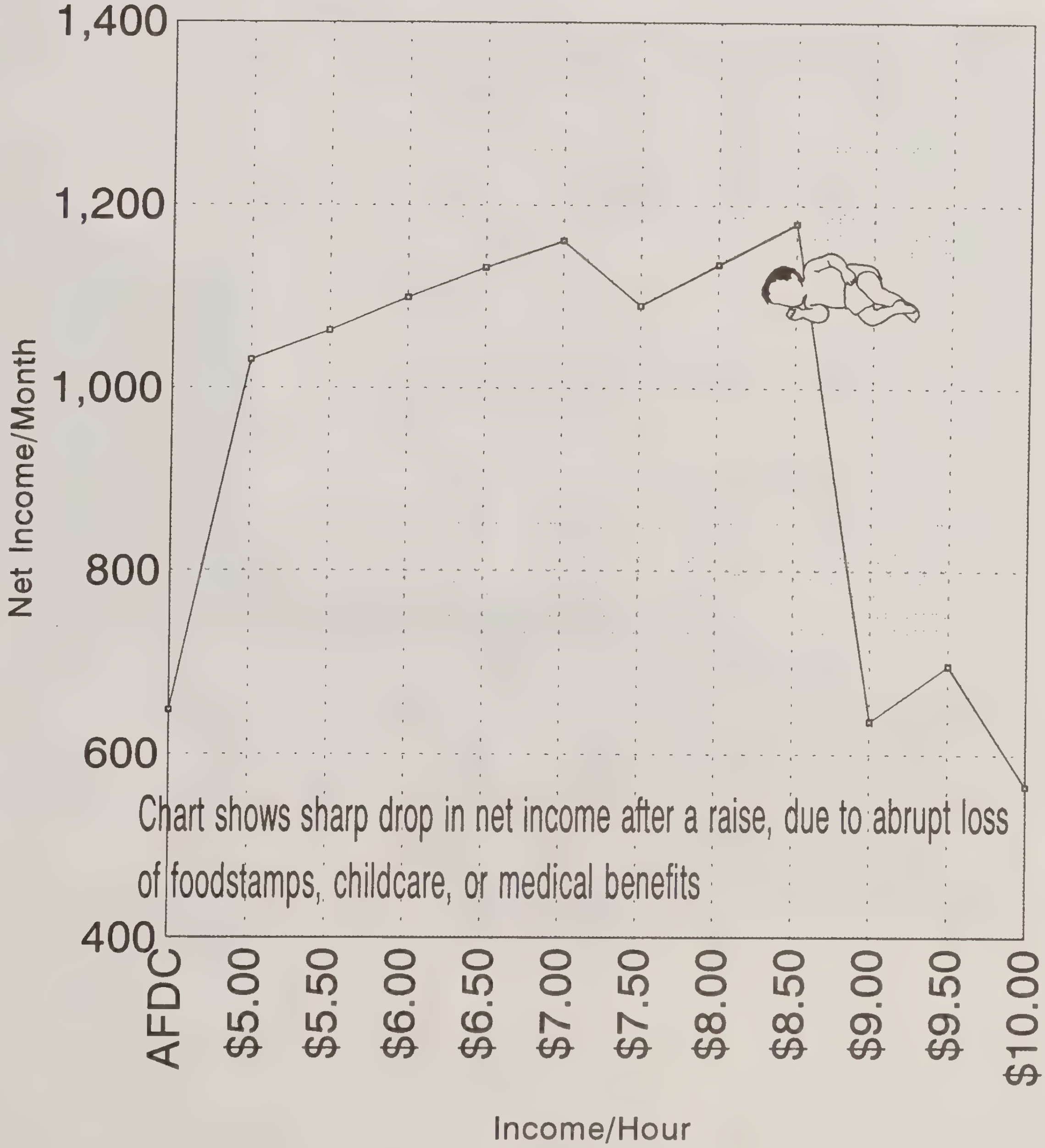
CLIFF EFFECT" - DATA TABLE (as of February, 1992)
Single Parent - One Child

INCOME						
/HR	AFDC	$5.00	$5.50	$6.00	$6.50	$7.00
/ANNUAL	3360	10,400	11,440	12,480	13,520	14,560
/MONTHLY	280	867	953	1040	1127	1213
FOOD STAMPS	203	126	106	0	0	0
EXPENSES (Monthly)						
FED TAXES	0	-100	-98	-83	-62	-66
SS TAXES	0	65	72	78	85	91
STATE TAX	0	7	11	15	19	24
CHILDCARE	0	100	120	126	137	433
MEDICAL	0	0	0	0	0	0
Net (Monthly)	483	921	955	904	948	731

INCOME						
/HR	$7.50	$8.00	$8.50	$9.00	$9.50	$10.00
/ANNUAL	15,600	16,640	17,680	18,720	19,760	20,800
/MONTHLY	1300	1387	1473	1560	1647	1733
FOOD STAMPS	0	0	0	0	0	0
EXPENSES (Monthly)						
FED TAXES	-56	-46	-35	-7	16	44
SS TAXES	98	104	111	117	124	130
STATE TAX	28	33	37	41	46	50
CHILDCARE	433	433	433	433	433	433
MEDICAL	0	0	82	82	82	82
Net (Monthly)	797	863	846	894	946	994

The Cliff Effect

Net Income After Taxes, Medical, and Childcare
Single Parent, Two Children



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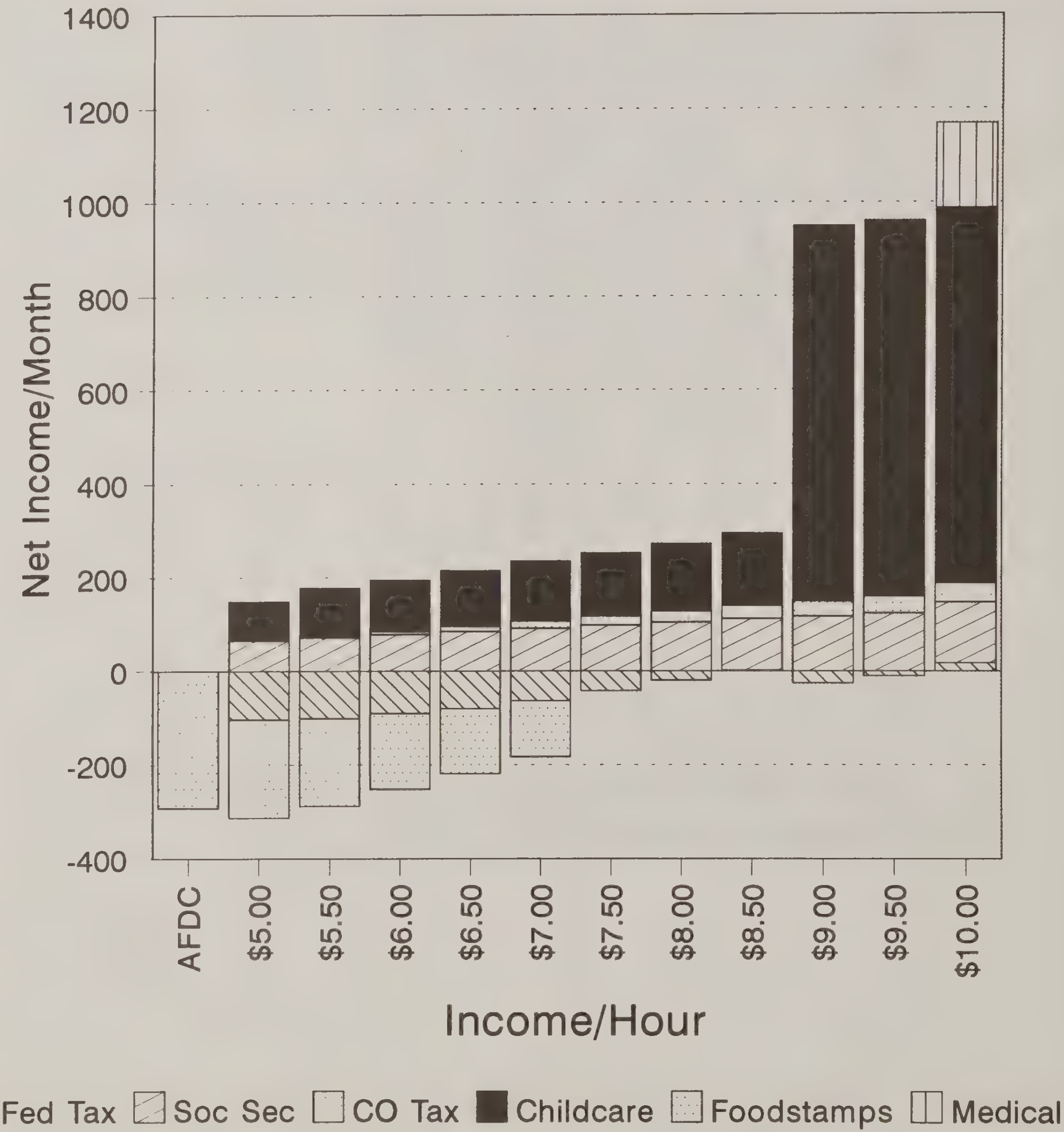
February, 1992 271-4019

The Cliff Effect

Costs of Taxes, Childcare, Medical
Single Parent, Two Children

Chart shows increases in childcare and medical costs, and loss of Foodstamps, at various income levels. Federal Income Taxes, where negative, reflect the Earned Income Credit



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February, 1992 271-4019

JEFFCO SELF-SUFFICIENCY COUNCIL

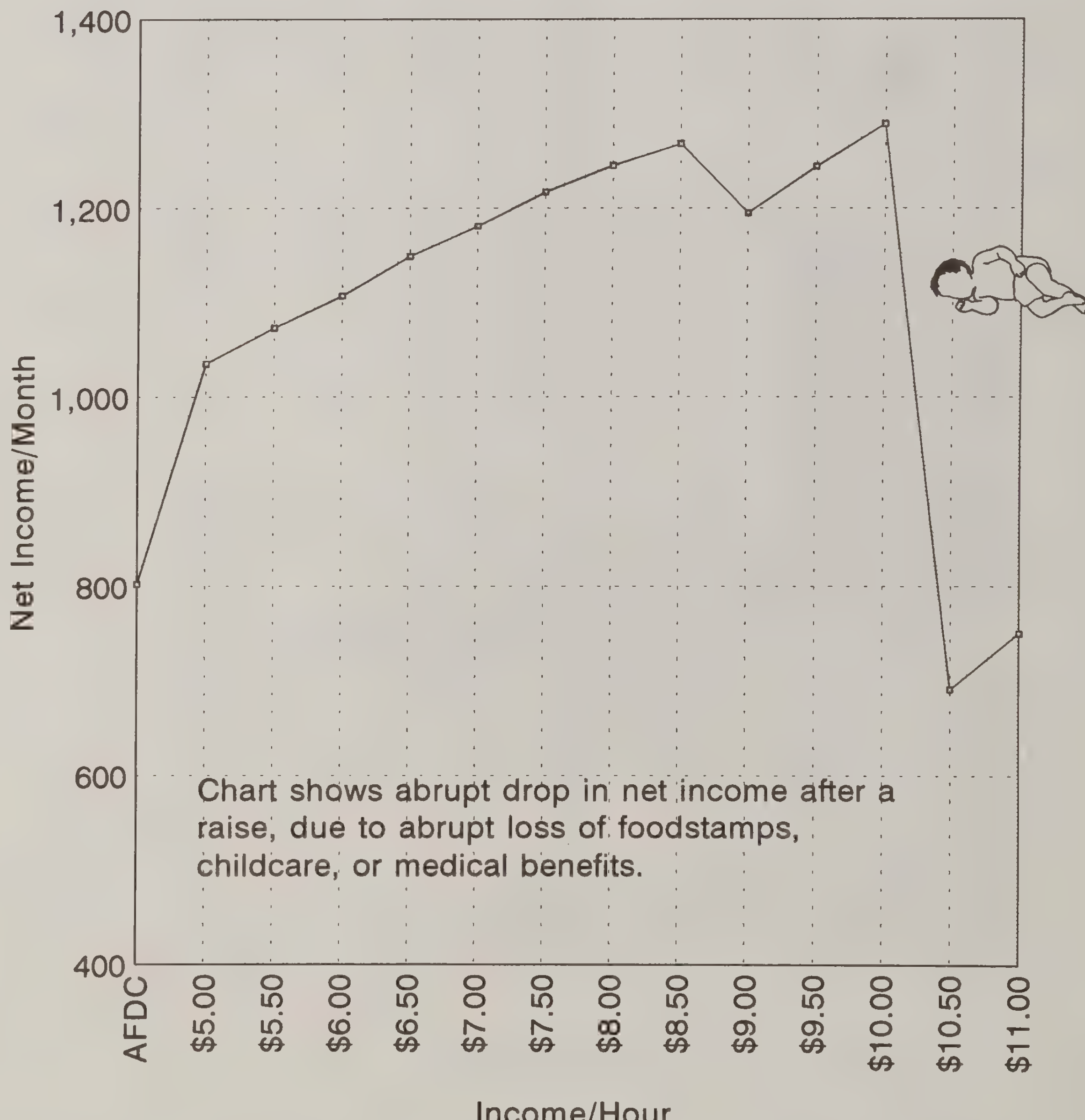
CLIFF EFFECT - DATA TABLE (as of February, 1992)
Single Parent - Two Children

INCOME							
/HR	AFDC	$5.00	$5.50	$6.00	$6.50	$7.00	$7.50
/ANNUAL	4272	10,400	11,440	12,480	13,520	14,560	15,600
/MONTHLY	356	867	953	1,040	1,127	1,213	1,300
FOODSTAMPS	292	210	187	162	139	119	0
EXPENSES (Monthly)							
FED TAX	0	-103	-101	-90	-80	-64	-42
SS TAXES	0	65	72	78	85	91	98
STATE TAX	0	0	2	7	11	15	20
CHILDCARE	0	84	104	109	119	129	135
MEDICAL	0	0	0	0	0	0	0
Net (Monthly)	648	1,031	1,063	1,099	1,132	1,161	1,090

INCOME							
/HR	$8.00	$8.50	$8.60	$9.00	$9.50	$10.00	
/ANNUAL	16,640	17,680	17,888	18,720	19,760	20,800	
/MONTHLY	1,387	1,473	1,491	1,560	1,647	1,733	
FOODSTAMPS	0	0	0	0	0	0	0
EXPENSES (Monthly)							
FED TAX	-20	1	(35)	-26	-11	17	
SS TAXES	104	111	112	117	124	130	
STATE TAX	24	28	29	33	37	41	
CHILDCARE	144	154	800	800	800	800	
MEDICAL	0	0	0	0	0	180	
Net (Monthly)	1,135	1,180	585	636	697	565	

The Cliff Effect

Net Income After Taxes, Medical, and Childcare
Single Parent, Three Children



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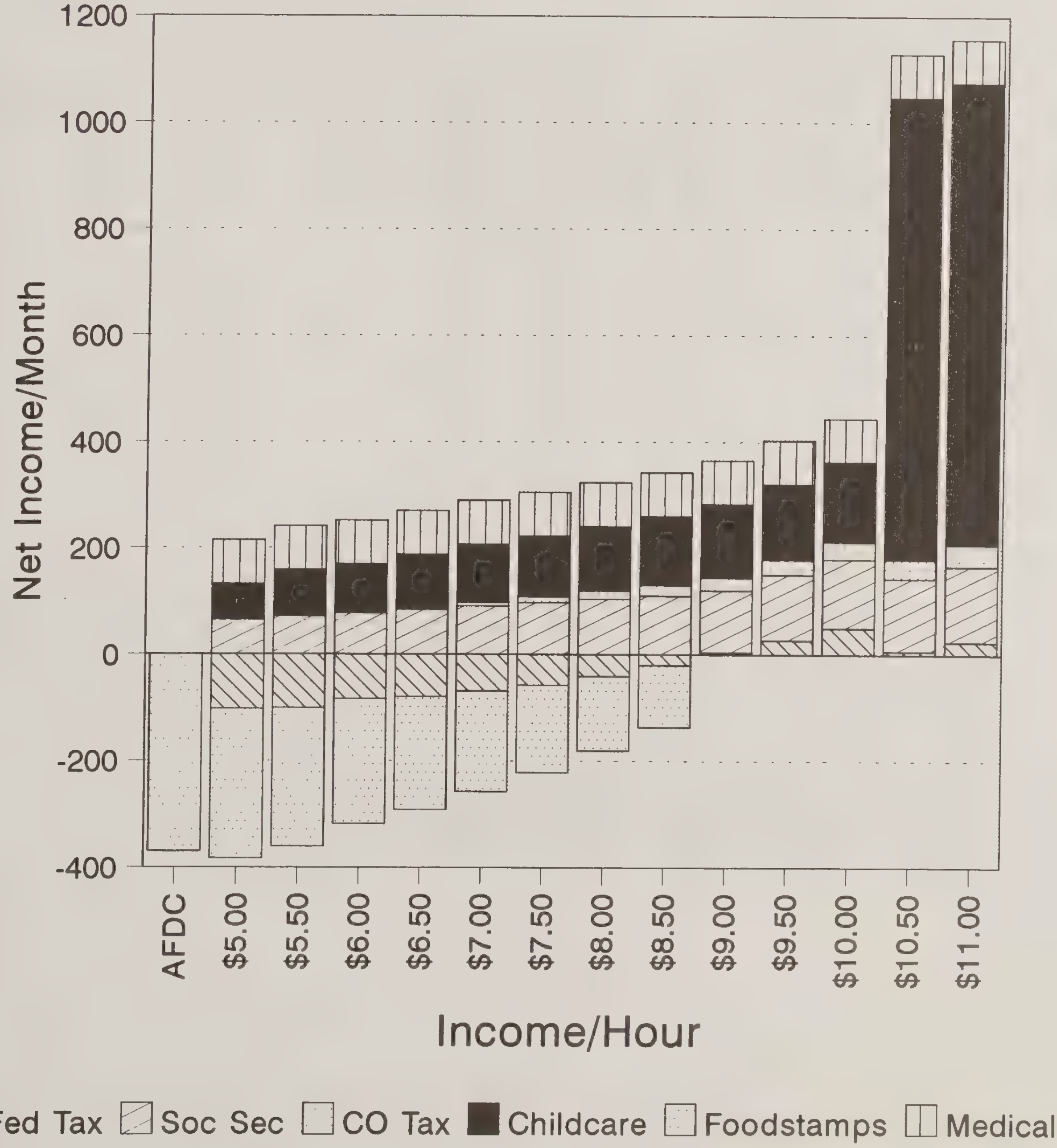
The Cliff Effect

Costs of Taxes, Childcare, Medical
Single Parent, Three Children

Chart shows increases in childcare and medical costs, and loss of Foodstamps, at various income levels. Federal taxes, where negative, reflect Earned Income Credit



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February, 1992 271-4019

JEFFCO SELF-SUFFICIENCY COUNCIL

CLIFF EFFECT - DATA TABLE (as of February, 1992)
Single Parent - Three Children

INCOME								
/HR	AFDC	$5.00	$5.50	$6.00	$6.50	$7.00	$7.50	$8.00
/ANNUAL	5184	10,400	11,440	12,480	13,520	14,560	15,600	16,640
/MONTHLY	432	867	953	1,040	1,127	1,213	1,300	1,387
FOODSTAMPS	370	280	260	235	212	189	164	140
EXPENSES								
FED TAXES	0	-103	-101	-84	-80	-69	-58	-41
SS TAXES	0	65	72	78	85	91	98	104
STATE TAXES	0	0	0	0	2	7	11	15
CHILDCARE	0	68	88	92	101	110	114	122
MEDICAL	0	82	82	82	82	82	82	82
Net Income	802	1,035	1,073	1,107	1,149	1,181	1,217	1,245

INCOME								
/HR	$8.50	$9.00	$9.50	$10.00	$10.30	$10.40	$10.50	$11.00
/ANNUAL	17,680	18,720	19,760	20,800	21,424	21,632	21,840	22,880
/MONTHLY	1,473	1,560	1,647	1,733	1,785	1,803	1,820	1,907
FOODSTAMPS	117	0	0	0	0	0	0	0
EXPENSES								
FED TAXES	-20	4	27	50	54	4	7	24
SS TAXES	111	117	124	130	134	135	137	143
STATE TAXES	20	24	28	33	35	36	37	41
CHILDCARE	130	138	142	150	181	867	867	867
MEDICAL	82	82	82	82	82	82	82	82
Net Income	1,268	1,195	1,244	1,289	1,299	678	691	750

Appendix D

"Public Assistance and the Working Poor: How Simplification Could Support Efforts to Make Work Pay"

by Mark Greenberg,
Center for Law and Social Policy

Public Assistance and the Working Poor:
How Simplification Could Support
Efforts to Make Work Pay

Submission to the Welfare Simplification and Coordination Advisory Committee, January 7, 1993

Introduction

Increasingly, policymakers are demonstrating concern about how the welfare system treats poor working families. Some states have sought federal waivers to expand the amounts of income "disregarded" when a family enters employment. Others have sought to change their budgeting methodologies to improve treatment of earnings, or to change their eligibility rules affecting families that enter employment.[1] However, while states are seeking to address the problems presented by restrictive eligibility and budgeting rules, there has been less effort to address another key problem: the ways in which the extraordinary complexity of the system adversely impacts working families.

In many respects, in our current system, the worst thing that can happen to an income maintenance worker is for a client to get a job. Income maintenance workers are already burdened with high caseloads and low error tolerances. From that standpoint, the cases that pose the fewest problems are those in which budgets are simplest to calculate, and changes occur least frequently, i.e., clients who continue to receive assistance for long periods of time with no fluctuating outside income. If, on the other hand, a client enters employment, the case gets significantly more complicated, and continues to be as long as the client is employed and receiving assistance. An income maintenance worker must track and act on ever-varying wage amounts, potentially relevant work-related expenses, and variations relating to child care costs. And, since the eligibility rules, income thresholds, verification requirements may vary from program to program, the interactions are often, at best, difficult to understand.

What changes are needed? There has already been much discussion of the need to harmonize definitions of income and resources between programs, to make rules governing disregards easy to understand, and to develop a common resource eligibility rule between programs. This submission will discuss another aspect of the problem: the seemingly technical administrative rules governing prospective and retrospective budgeting and the reporting of changes. In many respects, the effort to develop rules that put a premium on precise grant calculations and recalculations have

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[1] For a discussion of state waiver efforts affecting working poor families, see Greenberg, **Welfare Waivers and the Working Poor** (National Governors' Association, Labor Notes, September 30, 1992); for a discussion of other approaches to changing budgeting rules, see Greenberg, **How States Can Reduce Welfare's Work Penalties: The Fill the Gap Option** (Center for Law and Social Policy, October 1992).

led to policies which have unintended adverse impacts on working families. This is because the families most affected by such rules are those who enter and exit employment, and who often have fluctuating income from month to month while employed. This submission will demonstrate the problem by discussing three areas: policies governing prospective and retrospective budgeting, policies governing when entering employment should affect assistance; and policies governing reporting and acting on interim changes.

Simplifying administrative rules could have a number of desirable consequences. From the standpoint of clients:

- It could make it easier for a client to understand what would happen if she entered employment, changed hours, got a pay raise, etc.

- It could result in more predictability and stability for working individuals trying to budget from month to month.

- It could reduce the burdens on families when their income is constantly at risk based on the vagaries of the verification process.

From the standpoint of agencies:

- It could reduce burdens on eligibility workers.

- It could reduce administrative costs.

- It could enhance the likelihood that clients enter or retain employment, thus furthering multiple agency goals.

While this submission makes some specific suggestions, its primary point is that simplification efforts should proceed with a recognition that seemingly technical administrative policies often have important policy consequences. A key goal of simplification efforts in welfare reform ought to be to ensure that the welfare system provides support to, rather than imposes additional burdens on, working poor families. The current system falls far short of furthering that goal. The next few pages will give some examples.

The Prospective/Retrospective Budgeting Problem

Under current law, states often find it attractive to impose retrospective budgeting on working families. Since these families often have fluctuating income each month, use of retrospective budgeting seems to be the best way to minimize errors. The problem is that the most convenient budgeting for the agency is also the least supportive for families who have entered employment.

To understand why, suppose the state's AFDC payment standard and payment to a family with no income is $300, and the state applies retrospective budgeting to all families. Consider two families,

the Smiths and Jones. The Smiths are continuously unemployed. Ms. Jones enters employment on March 10, and has countable earnings[2] of $100 in March, $250 in April, $225 in May, $150 in June, and the job is lost June 15.

Ms. Smith's income and budget will look like this:

	Feb	Mar	Apr	May	June	July	Aug.
Non-AFDC	0	0	0	0	0	0	0
AFDC	300	300	300	300	300	300	300
Total	300	300	300	300	300	300	300

Ms. Jones' budget and income will look like this:

	Feb	Mar	Apr	May	June	July	Aug.
Non-AFDC	0	100	250	225	150	0	0
AFDC	300	300	300	200	50	75	150
Total	300	400	550	425	200	75	150

Ms. Jones' budget demonstrates two fundamental problems in current retrospective budgeting rules:

- Since budgeting always reflects the family's situation two months earlier, the grant never reflects current need for a family with fluctuating income. When earnings drop, the grant does not increase to reflect that drop for two months.

- If the family's employment terminates, the family's AFDC grant is less than the grant for a family with no income for two months. Unless the family has been able to put funds in reserve, the family does not have enough to live on in the months after employment is lost.

In short, under current rules, a family that enters employment with fluctuating income faces potentially dramatic fluctuations that can wreak havoc with a family's budget; moreover, when employment is lost, the family may be in crisis for two or more months.

Prospective budgeting may be little better under restrictive agency interpretations. The concept of prospective budgeting is the assistance amount for the month should be based on current needs for that month. Necessarily, that amount is not certain going into the month, since circumstances might change. However, the idea is that the assistance amount should be based on the best estimate.

Unfortunately, under current HHS interpretations, prospective budgeting takes on some of the problems of retrospective budget-

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[2] Countable earnings are gross earnings less allowable deductions and disregards.

ing. HHS has advised states that if actual income is greater or less than that budgeted, the state should charge an overpayment or underpayment for the month. Thus, families are constantly accumulating underpayments or overpayments. Moreover, so long as states fear that use of prospective budgeting will result in "second-guessing" by quality control reviewers, they may be hesitant to explore a prospective budgeting option.

What should a system look like? There are a number of different policy options but a system that sought to encourage and reward employment ought to be faced on the following principles:

- A family that enters employment should be better off for doing so, in the first month, and in each month of employment.
- Needs-based assistance should generally try to reflect current needs, not needs two months ago.
- Needs based assistance should offer a cushion, so that a family is not suddenly at risk of inability to meet basic living costs if hours of employment are reduced or the job is lost.
- A family that, in good faith follows the rules, should not risk accruing overpayments.

While there are a number of policy options, it is difficult to see how a two-month retrospective budgeting system could ever satisfy the above principles. By its nature, the system values accounting accuracy over meeting current needs. Retrospective budgeting rules could be made less harsh by, for example, providing that payment for a month should not be based on income from a budget month from a now-terminated source. However, this would still leave the problem of reduced income from a continuing source. Again, one could envision a rule mandating supplementation so that under no circumstances should total income for a payment month be below the level of assistance provided to a family with no income. At that point, however, why not simply move to a prospective budgeting system?

Effective Date of Change When a Family Enters Employment

Generally, under current AFDC rules, the family's budget and grant is affected with the first month the family enters employment. For food stamps, assuming timely processing, the change will likely be effective the month after the family begins employment.

While such policies may foster an appearance of precise budgeting, they have two undesirable effects. First, from the standpoint of the family, almost instantaneous with entering employment is a corresponding loss of public assistance. This may occur at the point in time when the family most needs additional income, because it is facing exceptionally high expenses in the

first months of employment, i.e., up-front child care costs, uniforms, clothing, automobile-related costs, etc.

An immediate grant/food stamp reduction may also be inefficient in a number of cases, because the rates of losing employment appear highest in the first months. In JOBS employment retention rates from a group of states, there are strong indications that the rate of job loss is greatest in the first ninety days after employment entry.[3] Thus, an immediate modification of public assistance poses two problems: it reduces assistance at a point where it is greatly needed, and may have to be equally rapidly reversed if the client loses her job in short order.

An obvious possible way to address the issue is to do no public assistance adjustment for a period of time after a client enters employment. For example, suppose the rules providing that when a client enters employment, there would be no grant reduction in the month of entry or the following month. This would serve a number of helpful purposes:

- It would ensure more income support for a family in the first months of employment;
- It would reduce the processing burdens for eligibility workers;
- In some cases, no grant adjustment would ever be needed, because short-term jobs might be gained and lost within the processing time.

In some respects, a longer grace period, e.g., ninety days, would be desirable. From limited available data, it appears that the likelihood of losing a job drops after the first ninety days (though additional data on this point would be very helpful). It would also offer the potentially significant advantage of allowing for more than ten days notice when an adverse change is implemented. While a ten day advance notice period may satisfy constitutional due process requirements, it is not a lot of notice for a parent trying to live within a budget with very little income.

It is also possible that providing a longer grace period before employment earnings reduce public assistance would lead to improved reporting of income and a reduction in program error rates. Under current rules, recipients (and virtually everyone else) may not understand the specific budget calculation rules, but they do understand that entering employment means a sharp and immediate reduction in assistance. If instead, people understood that there would be no immediate reduction in assistance for timely reported employment entries, the number of cases involving nonreporting of employment income might drop.

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[3] See Greenberg, **Welfare Reform on a Budget: What's Happening in JOBS** (Center for Law and Social Policy, June 1992).

The Change Reporting and Processing Problem

Once a family has entered employment, rules that require reporting of every change, however small, have a particularly adverse impact on working clients. That is because these families are most likely to experience changes in their circumstances each month. And, since the grant/food stamp allotment is constantly changing, the cases result in substantial burden for income maintenance workers.

Under current food stamp rules, the family must report all changes of more than $25 (and some changes even smaller); under AFDC rules, there is no income threshold, so a change of $1 in income must be reported.

When changes are reported in current prospective budgeting, a family with constantly fluctuating income faces regular overpayments. In retrospective budgeting, the family faces constantly changing AFDC grants and food stamp allotments, which, as noted above, always reflect income from two months earlier.

Again, AFDC rules are the harshest, because any change affecting eligibility or benefits is effective with the month in which the change occurs. Since a family with fluctuating hours often will not know its income for the month until after the month is over, such a family is at risk of continuing overpayments each month.

To get away from the burdens imposed by constant modifications based on small changes, each program might use a concept like that of the certification period (although without incorporating the food stamp principle of eligibility ending at the end of the certification period). A grant/assistance level would be determined at the beginning of the certification period, based on circumstances expected for the period. Then, during the period, a significantly higher threshold would be set for required reporting of interim changes, e.g., a $100 increase in income.

Setting a higher threshold for change reporting during the certification period could have positive impacts for both families and agencies. Modest fluctuations in income would have no impact on the grant or food stamp allotment, and the family could count on its expected assistance with some degree of certainty. At the same time, the amount of time and effort involved in processing interim changes could be dramatically reduced, easing the workload burden for agencies.

It is sometimes suggested that a problem with setting a higher threshold is that individuals will find it easier to report everything than to sort out what must and need not be reported. This could be addressed in one of two ways:

- At the beginning of the certification period, the client notice could say: Your assistance is based on earned income of $X; if at any point in the next ___ months, your earning are larger than $(X plus $100), you must tell your worker.

- Alternatively, the agency might still require regular reporting of income each month; however, for purposes of grant calculations, only an increase of more than $100 would require a grant action during the certification period.

Different rules would need to apply to families reporting reductions in earnings. Here, to ensure that families are not disadvantaged by entering employment, it is still necessary to process interim changes of smaller amounts.

It may be said that allowing this greater threshold for change actions results in inequity, and a windfall for families that have increased income within the certification period. In a sense, that may be true, because families with identical incomes may for some period receive different assistance amounts. However, the only way to attain complete equity is to require reporting of and action on every single dollar of changed circumstances, which results in a proliferation of overpayments and underpayments, and commits vast amounts of system resources to the processing of very small changes of minimal policy relevance.

Toward Administrative Rules that Support Working Poor Families

Pulling together the above issues, what might a system more supportive of working poor families look like? It might have the following rules:

- States apply a prospective budgeting system for all families, both with and without earnings.

- When a family enters employment, the earnings from employment are not counted for the month of or the month after employment begins, provided that they are timely reported. The family is not considered overpaid for this time, and the state is not considered to have made an erroneous payment.

- Thereafter, for a certification period, of, e.g., three or six months, the grant and food stamp allotment are set based upon anticipated circumstances. Interim changes would be processed for an increase in income in excess of $100, or for a drop in income.

- Where a grant for a month was based on anticipated circumstances for the month, an individual would not be held liable for an overpayment based on unforseen changed circumstances during the month.

- For quality control purposes, states would only be charged with errors for failure to comply with approved state policies in estimating income for the certification period, or for failure to take required action on reported interim changes.

There are more points to be made about the strengths and weaknesses of an approach such as this. For purposes of the Advisory Committee's deliberations, however, I want to suggest two key themes that ought to guide deliberations:

- Simplification efforts concerning administrative rules could play a major role in supporting working poor families. But to do so, the guiding issue cannot simply be ease of administration or a narrow vision of "accounting" accuracy of payment. Administrative rules need to be changed to recognize the realities of life for families that enter into low-wage, unstable jobs with fluctuating hours and fluctuating earnings.

- If the welfare system is to be changed to support education, training, and employment, then income maintenance workers must have time in their client interactions to do more than process grant adjustments and change reporting. A constant theme from state governments is that their workers are overburdened, but that they have no ability to hire new workers. One way to reduce the burden, so that workers can have new priorities to support families, is through substantially simplifying the set of worker budgeting responsibilities when families enter employment.

I hope these comments are helpful to the Committee's deliberations. Please let us know if we can provide additional information.

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Appendix E
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Appendix F

Committees and Subcommittees of the U.S. Congress

Below are the committees and subcommittees of the U.S. Congress that exercise primary authorization, appropriations, and oversight responsibility for the four assistance programs examined by the Committee.

Medicaid

Senate: Committee on Appropriation
- Subcommittee on Labor, Health and Human Services and Education

Committee on Finance
- Subcommittee on Health for Families and the Uninsured
- Subcommittee on Social Security and Family Policy

Committee on Labor and Human Resources (Massachusetts only)
- Subcommittee on Disability Policy

House: Committee on Appropriation
- Subcommittee on Labor, Health and Human Services and Education

Committee on Energy and Commerce
- Subcommittee on Health and the Environment
- Subcommittee on Health

AFDC Program

Senate: Committee on Appropriations
- Subcommittee on Labor, Health and Human Services and Education

Committee on Finance
- Subcommittee on Social Security and Family Policy

House: Committee on Appropriations
- Subcommittee on Labor, Health and Human Services and Education

Committee on Ways and Means
- Subcommittee on Human Resources

Food Stamp Program

Senate: Committee on Appropriations
- Subcommittee on Agriculture, Rural Development and Related Agencies

Committee on Agriculture, Nutrition and Forestry
- Subcommittee on Nutrition and Investigation

House: Committee on Appropriations
- Subcommittee on Rural Development, Agriculture and Related Agencies

Committee on Agriculture
- Subcommittee on Domestic Marketing, Consumer Relations and Nutrition

Housing Programs

Senate: Committee on Appropriations
- Subcommittee on Veterans Affairs, Housing and Urban Development, and Independent Agencies

Committee on Banking, Housing and Urban Affairs
- Subcommittee on Housing and Urban Affairs

House: Committee on Appropriations
- Subcommittee on Veterans Affairs, Housing and Urban Development, and Independent Agencies

Committee on Banking, Finance and Urban Affairs
- Subcommittee on Housing and Community Development

Appendix G

APWA Task Force on Program Coordination: List of Differences Between the Food Stamp and AFDC Programs

APWA Task Force on Program Coordination

***Revised Recommendation**

a = Minimal budgetary impact; b = Not estimated; c = Savings if AFDC conforms to FSP; d = Not available at time of printing

Issue	AFDC Policy	Food Stamp Policy	Task Force Recommendation	Economic Security Committee Action	Change Re-quired	FSP Cost $ (M)	AFDC Cost $ (M)	Status Following San Diego Meeting
1. Administrative Waiver Authority	Demonstration Waiver Authority Provided in Statute. There is no administrative waiver authority similar to that in the Food Stamp Program.	7 CFR 272.3 (c) allows waivers of regulatory provisions for extraordinary temporary situations, more effective and efficient administration of the program, or unique geographic or climatic conditions.	(1) Support the effort of the Administration for Children and Families to amend 45 CFR to permit approval of administrative waivers. (2) Amend Food Stamp Act to conform with AFDC demonstration waiver authority.	(1) Accepted recommendation except voted to maintain FSP average benefit level. *(2) APWA to discuss with advocates. Will be dropped if advocates continue to oppose recommendation.	Reg	a	a	Proposed ACF administrative waiver returned by OMB for substantial change. ACF may resubmit for consideration by new administration.
2. Application process: Alien/ citizenship declaration.	Each adult must attest to his/her alien or citizenship status. One adult may sign for all children.	The application form must include a statement to be signed by one adult household member certifying that the information in the application is true, including information about the citizenship or alien status of household members.	Amend Social Security Act to eliminate requirement that each adult sign declaration.	Accepted recommendation.	Law	n/a	a	Alien declaration provision was in H.R. 11 and will be introduced again.
3. Application process: application form	The agency shall require a written application, signed under penalty of perjury, on a form	Act contains specific requirements for application content, mandates use of a simplified, uniform	FNS and ACF jointly develop a generic rights and responsibilities document. Amend Food Stamp	Accepted recommendation, subject to additional state comments on proposed language.	Law	a	a	FNS and ACF developed easy-to-read statements of rights and responsibilities that are

APWA Task Force on Program Coordination

*Revised Recommendation

a = Minimal budgetary impact; b = Not estimated; c = Savings if AFDC conforms to FSP; d = Not available at time of printing

Issue	AFDC Policy	Food Stamp Policy	Task Force Recommendation	Economic Security Committee Action	Change Re-quired	FSP Cost $ (M)	AFDC Cost $ (M)	Status Following San Diego Meeting
	prescribed by the state, from the applicant or authorized representative.	national form or approved substitute, and requires a combined application for PA households and GA households if state has statewide GA application form.	Act to eliminate requirements for specific application language and requirement that state agencies use application approved by FNS.					generic to the extent possible.
4. Application process: delay procedures	No corresponding requirement.	Regulations provide detailed procedures agency must follow if household's eligibility is not determined within 30 days after application.	Food stamps should conform with AFDC.	Accepted Recommendation.	Reg	a	n/a	See processing standards.
5. Application process: processing standards	A decision must be reached within state-set standards, not to exceed 45 days. States must provide benefits from the earlier of the date of authorization or 30 days from application. They may provide prorated benefits from the date of application.	Clients must receive benefits retroactive to the date of application within 30 days of application under normal processing and within 5 days for expedited service.	* Allow states to deny application if household does not provide requested verification within 10 days.	Accepted recommendation to have FNS make available to states the option to deny case after 10 days if requested verification is not received. Reinstatement required if HH complies.	Reg	a	n/a	

APWA Task Force on Program Coordination

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6. Application process: scheduling second interview	Client must be notified orally and in writing of rights and responsibilities. There is no requirement for the agency to reschedule a missed interview.	Regulations require agency to reschedule interview if client does not appear for the one originally scheduled.	Eliminate requirement to schedule second appointment.	Accepted recommendation.	Reg	a	n/a	
7. Application process: verification	Income must be verified through IEVS, Social Security numbers through SSA, and alien documents through SAVE. States may establish other verification requirements. Decisions re: eligibility or ineligibility must be supported by facts in the case record.	In addition to required verification through IEVS and SAVE, regulations mandate verification of income, alien status, utility, and medical expenses (when actual is claimed), SSN, identity, residency, disability, and household composition (if questionable).	Simplify verification requirements so states can decide what to verify. Make use of IEVS and SAVE optional.	Accepted recommendation.	Law	$-3	a	
8. Budgeting (prospective): best estimate/anticipating income	Uses best estimate of income and circumstances based on the agency's reasonable expectation and knowledge of current, past, and	Income received during the past 30 days is used as an indicator of future income, with specified exceptions. If the amount of	Adopt AFDC policy for FSP. AFDC policy is less error-prone and allows workers more flexibility.	Accepted recommendation, subject to additional state comments on proposed language.	Reg	a	n/a	See also reporting requirements.

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	future circumstances. Intermittent income may be prorated.	income or date that it will be received is uncertain, it is not used. Households may elect to have income averaged.						
9. Budgeting (retrospective): Income from a terminated source	Income received in the beginning months from a noncontinuous source that was counted prospectively is disregarded in the first and second months of retrospective budgeting. The disregard does not apply if income is received again from a similar source.	Income received in beginning months from a terminated source that was counted prospectively is disregarded for the first and second months of retrospective budgeting. The disregard applies unless income was received again from the same funding source.	Difference no longer exists. [FNS comment: major difference in length of disregard no longer exists. There is a minor difference in the definition of what constitutes a terminated source.]	Dropped.		n/a	n/a	
10. Budgeting (retrospective): suspension	If ineligibility will be for one month only, assistance may be suspended in the payment month based on income and cirumstances in the budget month. Unit must generally be budgeted retrospec-	Regulations give states option of suspending households prospectively if ineligibility will exist for one month only. Households must be budgeted retrospectively the month after suspension.	In both programs suspend retrospectively if there ia a one-time change in income which causes ineligibility. Continue retrospective budgeting cycle unless there is a change which by law	Accepted recommendation.	Reg	a	a	Retrospective suspension included in draft FSP simplification rule.

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	tively the month after suspension.		or state option causes prospective budget-ing.					
11. Budgeting: converting income to a monthly amount.	No provision, but states may use conversion in calculating a best estimate for consis-tency with food stamps.	Income received weekly may be multiplied by 4.3 and biweekly income by 2.15 to arrive at a monthly figure, or the state's public assistance conversion factor may be used.	Amend AFDC regulation to make conversion factors consistent with FSP regulations.	Dropped.		n/a	n/a	Dropped because states states can use consistent procedures without regulation.
12. Budgeting: proration of contract and self-employment income	Allows states to average or prorate contract income over the period of the contract and self-employment income over the period the income covers.	Requires annualizing contract and self-employment income received in a period shorter than one year if it is the household's annual income. If income is not the household's annual income, it is prorated over the period it is intended to cover.	No difference exists because AFDC regulations allow income to be prorated over the period the contract covers or counted in the month it is received.	No change in current regulations is needed.		n/a	n/a	

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13. Changes: effective date.	Change that results in overpayment or underpayment is effective in the month of the change.	Effective date depends on time frames for reporting and acting on changes.	AFDC should conform to FSP policy on effective date. Apply to both prospective and retrospective budgeting. Adopt AFDC payment adjustment lag (PAL) QC concept for FSP. Adopt FSP overpayment establishment and claims collection policy for AFDC.	Accepted recommendation.	Reg	$5c	$-17	
14. Changes: monthly reporting and budgeting requirements	Monthly reporting is optional. Households not required to report monthly must be budgeted prospec-tively unless waiver has been granted for consistency with FSP.	Monthly reporting is optional, but prohibited for certain categories of households that must be budgeted prospec-tively. Other households not required to report monthly may be budgeted prosepectively or retrospectively.	Change AFDC legislation to allow nonmonthly report-ing households to be budgeted retrospec-tively.	Accepted recommendation.	Law	n/a	a	Was in H.R. 11.

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15. Changes: notice of adverse action	Advance notice not required when, among other reasons, mail is returned without a forwarding address.	Notice of adverse action required by 7 CFR 273.13 not required when, among other reasons, the household voluntarily requests, in the presence of a caseworker, that its participation be terminated.	Conform to FSP policy re: toll-free number and legal aid referral on notice, mass changes, and voluntary termination of participation. Conform to AFDC policy re: returned mail.	Committee recommended dropping issue of toll-free number and legal aid info. Accepted other recommendations.	Reg	a	a	Provision regarding returned mail included in FSP proposed simplification rule.
16. Changes: reporting requirements.	Recipients must report promptly all changes in income, resources, and other circumstances affecting eligibility or benefits as they become aware of them and also on monthly report if monthly reporting is required.	Monthly reporting households need not report changes outside monthly report form. Change reporters must report changes in income and medical expenses of more than $25, household composition, residence, liquid resources, and vehicles within 10 days.	* Household/assistance unit required to report only changes in source of income, rate of pay, employment status, change of address, and household/unit composition. Change AFDC regulations to require monthly reporters to report changes only on monthly report.	Accepted recommendations.	Reg	d	b	Similar change in reporting requirements for earnings in FSP draft simplification rule.

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17. Changes: supplemental benefits for new members	New person is treated as an applicant and added the date he/she entered the household or date determined eligible. Supplemental benefits are issued.	Supplemental benefits may be issued for a new member in month of reported change under prospective budgeting. Supplemental benefits may not be issued under retrospective budgeting for month of change, but allotment may be increased if not already issued.	* Conform AFDC to food stamp policy.	Accepted recommendation.	Reg	d	d	
18. Deductions: dependent care	For full-time workers and JOBS participants: actual costs up to $175 per month per dependent child 2 and over or incapacitated adult living in same home and receiving AFDC and up to $200 per month per child under 2. State may set lesser amount for part-time.	Actual not to exceed $160 per child or other dependent when care is needed to accept or continue employment, or training or education that is preparatory to employment.	Set limits at $175 per individual ($200 for children under 2). Allow deduction for seeking employment, employment, or attending training or school. Subtract deduction from household or unit's income after other deductions have been subtracted.	*Decided to delete last sentence. Recommended that AFDC caps for dependent care be used and deduction be allowed from unearned income for training/education in both programs.	Law	$1	b	FNS to determine cost impact of this change.

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19. Deductions: Earned Income Deduction	Disregards of $90 of individual's earnings. $30 and one-third of remainder disregarded in 4 consecutive months. Then $30 disregarded in 8 consecutive months. Not allowed again until person off AFDC for 12 consecutive months.	Deducts 20 % of all earnings.	* Deduct percent of gross earned income in any month the household or assistance unit had earnings as earned income deduction in both programs. Also use percent of earnings as basis for any incentive payments.	Accepted thrust of law recommendation. Issue of 30 and one-third in AFDC to be forwarded to APWA Task Force on Self-Sufficiency for consideration. Group generally likes 25% flat deduction.	Law	b	b	
20. Deductions: Earned income deduction penalty	$90, $30 and one-third, dependent care disregards not allowed if individual voluntarily quit or failed to accept job, return monthly report timely, or requested case termination to avoid receiving $30 and one-third disregard for 4 consecutive months.	When calculating overissuance, earned income deduction is not allowed on portion of earned income household member willfully failed to report.	Do not allow earned income deduction in any month the income was not reported by the household or assistance unit, whether through intentional program violation or inadvertent client error. Disallowance affects calculation of overpayments, not benefits.	Accepted recommendation.	Law	$-1	a	

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21. Deductions: excess medical deduction	n/a	A deduction is allowed for that portion of medical expenses in excess of $35 per month incurred by any household member who is elderly or disabled.	Authorize a two-tiered standard for each state to be calculated by each state and approved by FNS.	* Agreed to recommend that medical deduction be eliminated and that households adversely affected be compensated by other change, possibly in minimum benefit level.	Law	d	n/a	
22. Deductions: standard shelter deduction	n/a	A deduction is allowed for actual shelter expenses in excess of 50% of the household's net income up to an annually updated cap, currently set at $194. Households containing an elderly or disabled member are not subject to the cap.	* Eliminate the requirement to report changes in shelter during the certification period. Let each state develop a standard shelter expense using FNS-developed guidelines. Household would verify to get actual if higher.	Accepted recommendation re: no required reporting of changes in shelter during cert period. Recommended FNS allow states to conduct demo projects using standard shelter expense.	Law	d	n/a	Del., Calif., Md., Ala., Texas to develop proposal for demonstration project.

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23. Eligibility: alien status	Allows participation by aliens admitted for permanent residence or perma-nently residing under color of law (PRUCOL).	Food Stamp Act limits alien participa-tion to those admitted under specified sections of the Immigration and Nationality Act.	Adopt AFDC PRUCOL provision for FSP.	Accepted recommendation.	Law	a	n/a	ACF and FNS to explore committee request to classify aliens by type of documentation.
24. Eligibility: certified unit	Assistance unit consists of dependent children under 18 (or 18 if in school and will finish before 19) deprived of parental support and living in the home of the parent or specified relatives. The needs, income, and re-sources of all in unit are included.	Household usually consists of persons who purchase and prepare meals together. Parents and children and siblings may not be separate households unless the parent or sibling is over 60 or disabled or the child or sibling has a minor child.	Recommends no change in definitions of certified unit because of funda-mental differences in the programs. Possible answer would be use of standardized allotments for joint FSP/AFDC house-holds.	Accepted recommen-dation. Standardized allotments option dropped.		n/a	n/a	
25. Eligibility: child support assignment and cooperation	Assigning to the state agency any rights to child to spousal support and cooperating with the child support collection agency in establishing paternity and obtaining	No comparable provision.	Child support cooperation in FSP should be state option. Same good cause criteria as AFDC. Disregard first $50 of child support. Provide federal financial	Accepted recommen-dation that in FSP: (1) families be encouraged to cooperate with child support; (2) oppose legislation to require cooperation with child support; and (3)	Law	n/a	n/a	

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	support payments are conditions of eligibility.		incentives and FFP at child support FFP level. Waive initial fee.	disregard $50.				
26. Eligibility: potential sources of income	Agency must establish and carry out policies with reference to applicants' and recipients' potential sources of income that can be developed to a state of availability.	There is no requirement that applicants or recipients apply for other assistance as a condition of eligibility.	Revised position paper recommended legislative change to Food Stamp Act to encourage, but not require, applicants to apply for other potential sources of income. No consensus was reached on this issue.	Consensus not reached.		n/a	n/a	Drop for now.
27. Eligibility: residency requirement	Assistance unit must reside in the state, but there is no durational requirement.	Household must reside in the project area in which it applies, but there is no durational requirement.	Food Stamp Act is flexible enough to conform food stamp policy to AFDC policy without a regulatory change. Current regulations should remain in place so as not to penalize states that do not have systems needed to implement policy.	Accepted recommendation.	Reg	a	n/a	Option for state residency in proposed FSP simplification rule.

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28. Eligibility: social security numbers	Applicant must provide SSN or apply for one.	Applicant must provide number or apply for one, but good cause allowed for failure to apply.	Change AFDC regulations to include FSP good cause criteria.	Leave each program as is.		n/a	n/a	Dropped.
29. Eligibility: striker definition	Family ineligible if any caretaker relative is participating in a strike on the last day of the month. Individual's needs not included if individual is on strike last day of the month.	Household is ineligible if any member is on strike unless the household was eligible prior to the strike or the striking member was exempt from work registration the day prior to the strike.	* Eliminate striker provisions. Striker eligibility would be determined on the same basis as that of other applicants and recipients.	Accepted recommendation. Issue will become low priority if cost is high.	Law	$56	a	
30. Eligibility: students	No restrictions on student eligibility in addition to those of other individuals.	Students must meet specific eligibility criteria in addition to those that apply to other individuals.	Waive student eligibility determination for recipients of a state's GA program benefits and recipients of financial education assistance based on need, regardless of source.	Accepted recommendation.	Law	$67	n/a	
31. Income: complementary programs	Permits states to disregard the value of assistance payments that are complemen-	With specified exceptions, generally counts state-funded assistance whether	Amend Food Stamp Act to allow a state that exempts funds from a complemen-	Accepted recommendation.	Law	b	n/a	

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	tary and not duplicative.	paid directly or vendored.	tary program in AFDC to also exempt income from that program for food stamps.					
32. Income: earnings of 18-year-old high school students	Disregards earnings of dependent child recipient who is full or part-time student for needs and benefit determination. State option to disregard earning of full-time student applicant or recipient for needs and eligibility for up to 6 months.	Counts as earned income.	Exclude income of 18-year-old high school students until they reach 19 as long as they meet the definition of a child for a particular state's AFDC Program.	Accepted recommendation.	Law	$8	n/a	
33. Income: earnings of students under 18	Disregards earnings of dependent child recipient who is full-time or part-time student for needs and benefit determination. State option to disregard earnings of full-time student applicant or recipient for needs and eligibility for up to 6 months.	Excludes if student is in school at least half time and is under parental control.	Exclude earnings of full- or part-time students under 18 for both eligibility and benefit determinations for both programs.	Accepted recommendation.	Law	a	a	

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34. Income: Energy assistance	Excludes assistance provided under Low-income Home Energy Assistance Act. States have option to exclude assistance from other specified types of providers.	Excludes cash or in-kind energy assistance under federal law and with FNS approval from some state and local programs, including assistance combined with public or general assistance programs.	Disregard for both programs any energy payment based on financial need. Energy assistance is defined as any assistance paid to or on behalf of household to cover the payment for fuel to heat or cool residence, which is based on financial need.	Accepted recommendation.	Law	b	b	
35. Income: HUD utility payments	States have option to count or disregard rent or housing subsidies as income, but may count only the amount that exceeds the shelter amount established in the payment standard for an assistance unit of the same size and composition.	Vendor payments to landlord excluded. Direct payments to household and vendor payments to utility provider counted. Amount household owes landlord after HUD payments is allowed as rent expense. In 3rd Circuit, HUD utility payments excluded.	Exclude from income for both programs. Treat as issue separate from energy assistance.	Accepted recommendation.	Law	$160	n/a	

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36. Income: In-kind income/vendor payments	Earned in-kind income counted as income. State option to disregard support and maintenance in-kind assistance furnished by private nonprofit agency or specified home energy providers. State option to count or disregard unearned in-kind income.	Excludes in-kind income. Unless specifically excluded, third-party payments are counted as income if funds are legally obligated to be paid to the household.	Exclude in-kind benefits as income for both programs. Adopt FSP vendor payment policy for AFDC.	Accepted recommendations.	Law	$-3 c	$9	
37. Income: income excluded by other laws	Exclusions for education assis-tance, Indian per capita payments, JTPA, and others required by law differ from food stamp exclusions.	Exclusions for education assistance, Indian per capita payments, JTPA, and others required by law differ from the AFDC exclusions.	Amend Social Security Act and Food Stamp Act to make lists of excluded income identical. Amend both laws to allow the secretaries of Agriculture and DHHS to issue regulations at any time another law makes income from a program exempt for AFDC or FSP.	Accepted recommendation.	Law	b	b	

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38. Income: income of ineligible (disqualified) members	Treatment of the income of an individual living with the unit but not participating depends on the reason for nonparticipation. Except for individuals disqualified for specified reasons, states have option to allocate income of nonparticipating members.	Treatment of income of ineligible member depends on the reason for ineligibility	Give this difference low priority or drop it until coordination is achieved in the reasons for disqualification from program participation.	Accepted recommendation. Drop as income issue.		n/a	n/a	
39. Income: irregular income	State option to disregard small nonrecurring gifts not to exceed $30 per individual in quarter.	For prospective budgeting, irregular income not to exceed $30 in a quarter disregarded. Irregular income counted in retrospective budgeting.	Revise Food Stamp Act to disregard up to $30 per person per quarter of gifts and inconsequential income in either prospective or retrospective budgeting.	Accepted recommendation.	Law	a	n/a	
40. Income: JTPA earnings from state training programs	At state option, may disregard unearned income indefinitely and earned income for 6 months of a dependent child	Excludes all JTPA income except that from on-the-job training programs under section 204 (5) of Title II, JTPA. All	Amend AFDC program to be consistent with FSP and exclude JTPA state training program income of	Accepted recommendation.	Law	n/a	a	

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	participating in JTPA.	OJT income of individuals under 19 under parental control excluded.	household members under 19.					
41. Income: lump sum payments	If unit's income after disregards exceeds needs standard because of receipt of nonrecurring earned or unearned lump sum income, unit is ineligible for period determined by dividing lump sum amount plus other household income by needs standard.	Act excludes from income nonrecurring lum-sum payments including, but not limited to, income tax refunds, rebates or credits, retroactive lump-sum social security or railroad retirement pension payments and insurance settle-ments.	Amend Social Security Act to adopt FSP policy. Add provisions to rules of both programs to require verification of the disposition of lump-sum payments in excess of the resource eligibility maximums.	Accepted recommendation.	Law	$-2 c	$6	
42. Income: self-employment—calculating boarder income	Allows use of a flat percentage for expenses in calculat-ing income from boarders.	The cost of produc-ing self-employment boarder income (other than commer-cial boarding houses) is the greater of the maximum allotment amount for the boarder's household size or the actual cost of providing room and board.	Amend AFDC program to conform with FSP rules and allow either maxi-mum allotment for household of the same size as number of boarders or the actual documented cost, if higher than the allotment.	Accepted recommendation.	Reg	n/a	a	Waiver possible for AFDC and FSP. FSP simplification rule includes option for percentage for child care providers and households with boarders.

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43. Income: self-employment expenses	Expenses limited to those without which goods or services could not be produced. Depreciation, purchases of capital equipment, payments on principal of loans for capital assets or durable goods, personal business, transportation, entertainment not allowed.	Expenses not allowed are: net losses from prior periods, depreciation, retirement money, purchase price or payments on principal of loans for equipment, personal income taxes and other work-related expenses covered by earned income deduction.	Both programs should modify regulations to allow same expenses and reconsider treatment of depreciation. Amend laws to allow states to develop percentage standards to cover the costs of doing business.	Accepted recommendation. Need common definitions of expenses. Want to use percent, but need more information to determine what the percent should be.	Reg	a	a	Modification of self-employment expenses included in FSP simplification rule.
44. Income: student assistance	Excludes loans and grants obtained and used under conditions that preclude use for current living costs. Excludes aid to undergraduates from Education Dept. Excludes costs of attendance from Title IV, BIA. State option to disregard all student aid.	Excludes amounts earmarked or used for costs of attendance, but counts as income amounts made available for normal living costs.	Long-term goal is to amend the Food Stamp Act to totally disregard all educational assistance. Short-term goal is for FNS to allow states to send a form to school asking what portion of assistance is made available for room and board.	Accepted recommendation.	Law	$5	n/a	

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45. Income: Title IV-D $50 child support pass-through payments	Disregards the pass-through payments.	Counts payments as income. State have option to disregard, but must pay FNS for the resulting additional benefits issued.	Amend Food Stamp Act to disregard the $50 payments.	Accepted recommendation.	Law	$181	n/a	In Mickey Leland Act.
46. Recertification (redetermination): certification periods	Redetermines eligibility when necessary but at least once every 6 months unless unit reports monthly or is covered by approved error-prone profiling system. Must have face-to-face redetermination once in 12 months.	Certification periods of from 1 to 12 months are assigned to nonmonthly reporting households, depending on household character-istics. Monthly reporting households must be certified for 6 or 12 months.	Allow open-ended authorization of benefits for all households. At a minimum, all cases must be reviewed every 24 months.	Accepted recommendation.	Law	b	b	
47. Recertification (redetermination): process	States may prescribe forms and proce-dures.	Law and regulations contain specific procedural require-ments for notice of expiration and reapplication.	Allow state agencies to set own review schedules.	Accepted recommendation.	Law	a	a	FSP proposed simplification rule will include provi-sions on recertifica-tion.

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48. Resources: accessibility	Resources are considered available when actually available and when the client has a legal interest in a liquidated sum and has the legal ability to make it available.	Regs exclude inaccessible resources such as those in irrevocable trusts, probate, security deposits, real property being sold, jointly held resources that cannot practically be subdivided and the other owner refuses to sell.	Count the value of property solely owned by the household/assistance unit for both programs. Exclude heir or jointly owned property (other than if owned by persons in the budget unit).	Accepted recommendation.	Reg	a	a	
49. Resources: burial plans	Excludes one bona fide funeral agreement per individual up to $1,500 in equity value or lower amount at state option and excludes one burial plot per individual.	Inaccessible funds in burial agreements and one burial plot per member are excluded. Accessible funds are counted.	Exclude for both programs.	Accepted recommendation.	Reg	a	a	Provision on burial plans in FSP simplification rule.
50. Resources: income-producing real property	Counts as a resource except under provisions governing real property for sale.	Excludes as a resource if producing income consistent with its fair market value or essential to self-employment, but counts income produced.	Exclude for both programs income-producing property essential to employment or self-employment. Exclude for both programs the equity value of real	Accepted recommendation	Law	n/a	a	

APWA Task Force on Program Coordination

*Revised Recommendation

a = Minimal budgetary impact; b = Not estimated; c = Savings if AFDC conforms to FSP; d = Not available at time of printing

Issue	AFDC Policy	Food Stamp Policy	Task Force Recommendation	Economic Security Committee Action	Change Re-quired	FSP Cost $ (M)	AFDC Cost $ (M)	Status Following San Diego Meeting
			property (sole and clear ownership) which is producing income consistent with its fair market value.					
51. Resources: life insurance	Counts as a resource.	Excludes as a resource.	Exclude for both programs.	Accepted recommendation.	Law	n/a	a	
52. Resources: real property for sale	Resource after 6 months (or 9 at state option) if not sold. Client must agree to make a good faith effort to dispose of property and repay AFDC received during sale period. If not sold during period, AFDC ends. Overpayment calculated when property sold.	Excludes for unspecifed time if household making good faith effort to sell.	Exclude for both programs real property the unit is making a good faith effort to sell.	Accepted recommendation.	Law	n/a	a	
53. Resources: resource limit	$1,000 per assistance unit using equity value of resources.	$2,000 per household or $3,000 if one member is 60 or over, using equity value except for vehicles. Limit does	Use food stamp resource limits.	Accepted recommendation.	Law	b	b	

APWA Task Force on Program Coordination

***Revised Recommendation**

a = Minimal budgetary impact; b = Not estimated; c = Savings if AFDC conforms to FSP; d = Not available at time of printing

Issue	AFDC Policy	Food Stamp Policy	Task Force Recommendation	Economic Security Committee Action	Change Re-quired	FSP Cost $ (M)	AFDC Cost $ (M)	Status Following San Diego Meeting
		not apply to categorically eligible households or to household members who receive AFDC.						
54. Resources: transfer	AFDC regs contain no provision regarding ineligibility because of transfer of resources, but regulations allow states to impose additional conditions of eligibility. Thirty-five states prohibit transfer or other disposition of property prior to application.	Prohibits participation in the program for up to 1 year if resource is transferred within 3 months prior to application or during certification period in order to meet FSP resource limits.	States may conf)rm AFDC policy to FSP policy.	Accepted recommendation.		n/a	a	
55. Resources: vehicles	Excludes vehicles used as household home or needed to produce income. Excludes first $1,500 of equity value of one vehicle and counts remainder as available resource.	Excludes vehicles used as home, needed to produce income or to transport disabled member. Counts market value over $4,500 of one vehicle per household and education and work-	Exclude one vehicle per household regardless of value. Count for both programs the excess equity (fair market value less encumbrances) value of other licensed vehicles.	Accepted recommendation.	Law	$991	$736	Committee questioned cost esimates and asked ACF and FNS to review estimates again.

APWA Task Force on Program Coordination

***Revised Recommendation**

a = Minimal budgetary impact; b = Not estimated; c = Savings if AFDC conforms to FSP; d = Not available at time of printing

Issue	AFDC Policy	Food Stamp Policy	Task Force Recommendation	Economic Security Committee Action	Change Re-quired	FSP Cost $ (M)	AFDC Cost $ (M)	Status Following San Diego Meeting
		related vehicles. Counts greater of FMV over $4,500 or equity for others.						
56. Restored benefits (underpayments): policy	Underpayments resulting from client or agency errors are corrected to current recipients as long as the reporting requirement for changes is satisfied. States may correct underpayments caused by client or agency error to former recipients.	Lost benefits are restored only when the agency makes a mistake.	Pay restored benefits whether due to agency or client error. Continue to allow offset of restored benefits against outstanding claims. Offset potential restorations older than one year against outstanding claims.	* Decided that benefits should not be restored for client error.	Reg	$2	$-6	
57. Restored benefits (underpayments): time limit	No time limit for correction of underpayments. Benefits are restored to current recipients beginning with the month that changes must be reported to the state agency. Corrective payments to underpaid former recipients are permitted but not required.	Lost benefits cannot be restored for more than 12 months unless there is a special exception.	Modify AFDC law to conform with food stamp 12-month limit on restored benefits, unless regulations specify household is entitled to lost benefits for a longer benefit.	Accepted recommendation.	Law	n/a	a	

Appendix H

Title XVII
Public Law 101-624
The Mickey Leland Memorial Domestic Hunger Relief Act

Section 1778. Welfare Simplification and Coordination Advisory Committee.

(a) Appointment and Membership.

(1) Establishment. There is established an Advisory Committee on Welfare Simplification and Coordination (hereafter in this section referred to as the "Committee") consisting of not fewer than 7, nor more than 11, members appointed by the Secretary of Agriculture (hereafter in this section referred to as the "Secretary"), after consultation with the Secretary of Health and Human Services and the Secretary of Housing and Urban Development, and with the advice of State and local officials responsible for administering the food stamp program, cash and medical assistance programs for low-income families and individuals under the Social Security Act, and programs providing housing assistance to needy families and individuals, and representatives of recipients and recipient advocacy organizations associated with such programs.

(2) Qualifications. The members of the Committee shall be individuals who are familiar with the rules, goals, and limitations of Federal food stamp, cash, medical, and housing assistance programs for low-income families and individuals, and may include individuals who have demonstrated expertise in evaluating the operations of and interaction among such programs as they affect administrators and recipients, persons who have experience in administering such programs at the Federal, State, or local level, and representative of administrators and recipients affected by such programs.

(b) Purpose. It shall be the purpose of the Committee, in consultation, where appropriate, with program administrators and representatives of recipients—

(1) to identify the significant policies implemented in the food stamp program, cash and medical assistance programs under the Social Security Act, and housing assistance programs (whether resulting from law, regulations, or administrative practice) that, because they differ substantially, make it difficult for those eligible to apply for and obtain benefits from more than one program and restrict the ability of administrators of such programs to provide efficient, timely, and appropriate benefits to those eligible for more than one type of assistance, drawing, where appropriate, on previous efforts to coordinate and simplify such programs and policies;

(2) to examine the major reasons for such different programs and policies;

(3) to evaluate how and the extent to which such different programs and policies hinder, to a significant degree, the receipt of benefits from more than one program and substantially restrict administrators' ability to provide efficient, timely, and appropriate benefits;

(4) to recommend common or simplified programs and policies (including recommendations for changes in law, regulations, and administrative practice and for policies that do not currently exist in such programs) that would substantially reduce difficulties in applying for and obtaining benefits from more than one program and significantly increase the ability of administrators of such programs to efficiently provide timely and appropriate assistance to those eligible for more than one type of assistance; and

(5) to describe the major effects of such common or simplified programs and policies (including how such common or simplified programs and policies would enhance or conflict with the proposes of such programs, how they would ease burdens on administrators and recipients, how they would affect program costs and participation, and the degree to which they would change the relationships between the Federal Government and the States in such programs) and the reasons for recommending such programs and policies (including reasons, if any, that might be sufficient to override special rules derived from the proposes of individual programs).

(c) Administrative Support. The Secretary shall provide the Committee with such technical and other assistance, including secretarial and clerical assistance, as may be required to carry out its functions.

(d) Reimbursement. Members of the Committee shall serve without compensation but shall receive reimbursement for necessary travel and subsistence expenses incurred by such members in the performance of the duties of the Committee.

(e) Reports. Not later than July 1, 1993, the Committee shall prepare and submit, to the appropriate committees of Congress, the Secretary of Agriculture, the Secretary of Health and Human Services, and the Secretary of Housing and Urban Development a final report, including recommendations of common or simplified programs and policies and the effects of and reasons for such programs and policies and may submit interim reports, including reports on common or simplified programs and policies covering less than the complete range of programs and policies under review, to the committees and such Secretaries as deemed appropriate by the Committee.